

CURRENT HISTORY

A WORLD AFFAIRS JOURNAL

APRIL, 1987

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Current History

FOUNDED IN 1914

APRIL, 1987
VOLUME 86 NO. 519

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AFRICA, 1987

May, 1987

The continuing violence in southern Africa and the revolutionary and military governments of western and eastern African nations are among the topics covered in the next issue.

United States Policy in Southern Africa

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Current History (ISSN-0011-3530) is published monthly (except June, July and August) for \$27.00 per year by Current History, Inc. Publication Office, 4225 Main Street, Philadelphia, Pa. 19127; Editorial Office, 3740 Creamery Rd., Furlong, Pa. 18925. Second class postage paid at Phila., Pa., and additional mailing offices. Postmaster: send address changes to *Current History*, 4225 Main Street, Philadelphia, Pa. 19127. Indexed in *The Reader's Guide to Periodical Literature*, *The Abridged Reader's Guide*, *ABC Polsci*, *PAIS*, *SSCI* and *America: History and Life*. Indexed on-line by *DIALOG*, *BRS* and *Information Access Magazine Index*. Microfilm: University Microfilms, Ann Arbor, Mich. No responsibility is assumed for the return of unsolicited manuscripts. Copyright © 1987 by Current History, Inc.

Current History

APRIL, 1987

VOL. 86, NO. 519

Conditions in Southeast Asia remain unsettled in 1987. Thailand and the Indochinese countries confront political change in Vietnam and Vietnamese troops in Kampuchea. Malaysia and Indonesia are unable to match the economic strides of other East Asian nations. Political and economic problems plague the Philippines and, as our lead article notes, they also "pose significant challenges" for United States policy in all of Southeast Asia. "Trade issues, however, are likely to constitute the most difficult problems for American policy in Southeast Asia."

United States Policy in Southeast Asia

BY EVELYN COLBERT

Professorial Lecturer in Southeast Asian Studies, School of Advanced International Studies, Johns Hopkins University

IN 1986, as in 1985, the United States confronted its most pressing policy problems in Southeast Asia in the Philippines. These problems aside, the region only rarely attracted Cabinet-level attention or broad popular interest; United States relations with Southeast Asia continued along lines that, under President Jimmy Carter, had adjusted American policy to the post-Vietnam era. Relations with the Indochinese countries continued to be constrained by Vietnam's occupation of Kampuchea (Cambodia) as well as by the unresolved problem of American soldiers still missing in action (MIA's) after the Vietnam War. Support for the Association of Southeast Asian Nations (ASEAN) and its six members—Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand—remained the central focus of United States policy in the region. Threatening the continued smooth course of United States–ASEAN relations, however, were the ASEAN members' heightened fears of the direction of United States trade policy.

On February 25, 1986, Ferdinand Marcos, who had been sworn in as Philippine President only hours earlier, was flown to exile in Honolulu by an American military aircraft. The curtain had fallen on the drama that had begun in 1983 with the assassination of Marcos's charismatic opponent, Benigno Aquino; Aquino's widow, Corazon, replaced Marcos as the leading player on the Philippine political stage. For the United States, an increasingly uncomfortable relationship with

a repressive, corrupt and ultimately discredited regime had finally come to an end. The relationship ended under circumstances that advanced prospects for the longer term protection of American interest in the well-being of the Filipino people. The end of the United States–Marcos relationship enhanced the viability of the United States–Philippine security relationship and the stability and progress of ASEAN as a whole. The Philippine people themselves had effected this change. But the outcome also brought credit to an American policy that recognized the limits of United States influence and tried to use it to help advance a goal that often seemed most unlikely—a peaceful restoration of democracy.

A singularly well-qualified observer has described the evolution of American policy in the period preceding Marcos's fall as revolving

around the struggle of Marcos's critics in the Congress and of foreign policy and defense specialists in the administration to convince the top political leadership, and especially President Reagan, that Marcos had become so much of the problem that he could no longer be a significant part of any solution.¹

But neither concerned members of Congress nor the officials charged with day-to-day and long-term management of the Philippine–American relationship saw the long-developing crisis in terms of simple choices between Marcos and something else.

Much more than continued White House loyalty to an old friend and ally entered into the conclusion of an interagency policy study in November, 1984, that "while President Marcos at this stage is part of the problem he is also necessarily part of the solution."² Marcos still controlled the levers of power and intended

¹William Brands in John Bresnan, ed., *Crisis in the Philippines* (Princeton: Princeton University Press, 1986), p. 246.

²Nayan Chanda, "Power to the Palace," *Far Eastern Economic Review*, March 21, 1985.

to use all his well-known political skills to retain them. The widespread belief that Benigno Aquino's murder had been engineered by the regime had cost Marcos much of his legitimacy. But Aquino's death had also increased the difficulty of identifying a plausible successor. The politicians of an earlier era were divided and had little credibility; Corazon Aquino's transformation from national symbol to national leader was still in the future. Moreover, Marcos's ill health made it necessary to take into account the possibility that he would leave the scene before the groundwork could be laid for a peaceful succession; there was an all too great likelihood that power would be seized by Marcos's wife Imelda and her military coterie, including General Fabian Ver, the prime suspect in Aquino's murder.

By the end of 1985, hopes were growing for a stronger, more united democratic opposition. The May, 1984, National Assembly elections had brought out vast numbers of volunteers as poll watchers under the auspices of the National Movement for Free Elections (NAMFREL). Of those eligible, 85 percent had voted, and of the 183 seats contested, 59 were won by the opposition despite regime fraud. Later, Marcos's call for snap elections brought new unity to the opposition camp.

Increasingly, however, it became clear that while Marcos had made some concessions, he had no intention of responding to either Filipino or American pressure. The prospect that Marcos could be part of the solution faded significantly, and was dealt an almost fatal blow at the beginning of December when a Marcos-appointed court acquitted General Ver of Aquino's murder; Ver was promptly reinstated as head of the Philippine armed forces. Marcos then added still another self-inflicted wound: the egregious corruption of his election campaign. Corrupt practices, of course, were nothing new. But the eyes of the world were literally on the Philippines.

Journalists were there in the thousands. There were also election observer groups of prestigious sponsorship and composition: a bipartisan congressional group dispatched by President Ronald Reagan—its most prominent member was Senator Richard Lugar (R., Ind.)—and two international groups, one organized by the National Republican Institute for International Affairs and one by its Democratic counterpart. Hence, when the opposition called foul, there was no lack of expert and independent confirmation of the charge. When Defense Minister Juan Ponce Enrile and Deputy Chief of Staff Fidel Ramos transferred their support to Aquino, the White House signaled Marcos that it was time to go.

The tone of United States relations with the Phil-

ippines after Marcos was set by Secretary of State George Shultz. When he announced United States recognition of the Aquino government, he said it had been produced "by one of the most stirring and courageous examples of the democratic process in modern history."³ Hypersensitive to the nuances of American behavior, Filipinos on occasion have suspected that American enthusiasm is wearing thin. More often, however, they have found reasons for reassurance, most recently in January, 1987, when the United States prohibited Marcos from leaving exile in Hawaii during a coup attempt by soldiers loyal to him.⁴

American enthusiasm for the Aquino government, however, and recognition of the enormity of its inherited problems have not been reflected in any massive aid program. Two factors have limited American assistance: budgetary stringencies have been most important, but there has also been uncertainty about the ability of the Aquino government to use large amounts of additional aid effectively. Even so, in spite of the United States budget crunch and its general impact on foreign operations and assistance, the Philippines remains the principal Asian recipient of United States aid. For fiscal 1986, total assistance to the Philippines in old and newly obligated funds amounted to \$553 million. For fiscal 1987, almost \$358 million has already been approved, and the administration's supplemental request includes an additional \$50 million in military assistance.

ASEAN

The ASEAN countries are barred by a precept of their organization from involving themselves in one another's affairs, and they recognize more clearly than some American critics the limits on external influence. But they appreciated the United States contribution to a peaceful transition in the Philippines. In most other respects, also, American-ASEAN relations have remained on course and were given a symbolic boost in May when President Reagan met with ASEAN foreign ministers in Bali en route to the Tokyo economic summit.

The United States has continued to stand with ASEAN in demanding a political settlement in Kampuchea and the withdrawal of Vietnamese troops. Nevertheless, the United States was unable to endorse fully an ASEAN-sponsored negotiating proposal on Kampuchea. A 1985 proposal, originating with Malaysia, seemed to the United States to come dangerously close to legitimizing Kampuchea's leader, Heng Samrin, who is supported by Vietnam; on the other hand, the 1986 proposal, originating with Cambodian Prince Norodom Sihanouk, leader of one of the resistance factions, evoked American concern that the Communist Khmer Rouge might be included in a compromise political solution in Kampuchea.

Differences over these negotiating ploys, however,

³*Department of State Bulletin*, April, 1986, p. 69.

⁴*The New York Times*, January 30, 1987.

were probably less important to ASEAN than the American decision to aid the non-Communist elements of the Cambodian resistance. In 1985, the Reagan administration had reluctantly acceded to a proposal for such aid advanced by New York's Democratic congressman Stephen Solarz, who was responding to the ASEAN view that American aid would help to strengthen the non-Communists against the Khmer Rouge—the principal recipient of Chinese aid—and to balance the role of China, a far more active participant in the conflict than the United States. With the actual distribution of aid delayed by divisions in non-Communist ranks, in fiscal 1986 the United States gave \$3.35 million (reduced from \$3.5 million by the budget-balancing provisions of the so-called Gramm-Rudman bill)* to be distributed by Thailand to the resistance in the form of short-wave radios, medical supplies, paramedical training and other “nonlethal” help. A similar program is envisaged for 1987.

However, while political and security relations proceeded smoothly enough, American trade policies evoked a good deal of concern and even hostility from ASEAN nations. Dissatisfaction with American economic policies has, in fact, been expressed constantly since the establishment of ASEAN in 1977. ASEAN has complained of United States failure to support international commodity agreements, price stabilization schemes and other proposals associated with the New International Economic Order promoted by third world countries. ASEAN has also long found fault with United States tin disposal policies, with the heavy concentration of United States investment in the petroleum sector, and with the pace of American technology transfer. In the succession of economic dialogues between United States and ASEAN officials since 1977, ASEAN proposals for changes in the economic relationship and its requests for special treatment have usually proved to be contrary to United States global economic policy, or to United States legislation, or have required greater influence over Congress than the executive branch possesses.

Until recently, however, Japan has attracted most ASEAN criticism; dissatisfaction with the United States has been outweighed by appreciation of the American role in supporting the open global trading system on which ASEAN's phenomenal economic growth has depended and, perhaps even more, by relatively satisfactory trade relations between the United States

and ASEAN countries. Second only to Japan as a trading partner, the United States has been an increasingly important customer for ASEAN products. Between 1977 and 1986, United States imports from ASEAN increased by almost 200 percent. Moreover, unlike Japan, in whose imports ASEAN primary products predominate, the United States is a major customer for the products of ASEAN's increasingly important manufacturing sector. By 1983, the manufactures share of ASEAN exports to the United States had increased to 49 percent from 31 percent in 1970; manufactures constitute 70 percent of Malaysia's exports to the United States; they are 60 percent of Philippine exports to the United States; and, while the percentage is lower for oil-rich Indonesia, Americans nonetheless are Indonesia's best customers for manufactures.⁵

In recent years, however, with ASEAN nations facing new economic problems and reduced growth rates, economic issues have become more of an irritant in relations with the United States. Global prices for ASEAN's primary products have declined, perhaps permanently; slowing growth rates in industrial countries have reduced demand for manufactured imports; and competition from other developing countries has increased. Thus protectionist trends in the United States have heightened ASEAN fears for the future. ASEAN reliance on the United States, both as a customer and as an influence on international trade policies, has intensified the ASEAN nations' sense of threat and has evoked new expressions of doubt about the rhetorical links American spokesmen make between United States interests and ASEAN well-being.

ASEAN concern with American protectionist trends affecting manufactures—in particular, wearing apparel, electronic components and processed foods—remains high. However, for much of 1986 and continuing into 1987, United States rice and sugar policies have been the most significant source of controversy, souring American relations with longtime ally Thailand and adding to a Thai sense of grievance originating in earlier disputes over textiles, canned tuna and steel pipe.

Recent Thai complaints have centered on the subsidies for American rice growers provided by the Food Security Act of 1985, signed by President Reagan in March, 1986, and the subsidized sale of 140,000 metric tons of American sugar to China in August, 1986. While there is some dispute over the precise impact

(Continued on page 178)

*The Balanced Budget and Emergency Deficit Control Act was passed by Congress in December, 1985, and signed into law by President Reagan. Senators Phil Gramm (R., Tex.) and Warren Rudman (R., N.H.) were the bill's sponsors. The Supreme Court found a key provision of the bill unconstitutional in July, 1986.

⁵Library of Congress, Congressional Research Service, *Economic Changes in the Asian Pacific Rim* (Washington, D.C., 1986), pp. 11–14.

Evelyn Colbert was formerly deputy assistant secretary of state for East Asia and the Pacific. A longtime State Department specialist in East Asian affairs, Colbert's published works include *Southeast Asia in International Politics* (Ithaca, N.Y.: Cornell University Press, 1977).

"Hanoi hopes to use the decisions taken at the sixth party congress as a springboard to surmount its current difficulties and propel the Vietnamese revolution to new heights in the next decade. . . . Yet it would be risky to read too much into the brave statements about the 'basic renovations' that will eliminate past shortcomings and errors and put the Vietnamese revolution back on course."

Vietnam Moves toward Pragmatism

BY WILLIAM J. DUIKER

Professor of History, Pennsylvania State University

IN Hanoi, in mid-December, 1986, the Vietnamese Communist party (VCP) convened its sixth national congress. The congress was held at a moment of supreme importance in the history of modern Vietnam, formally known as the Socialist Republic of Vietnam, or SRV. In the decade after the end of the Vietnam War, the Hanoi regime was led by a veteran Communist party leadership that had originally been trained and brought into positions of responsibility during World War II by the party's founder, Ho Chi Minh. In July, 1986, General Secretary Le Duan died after a long illness; his successor was the second ranking member of the Politburo, Truong Chinh. The new General Secretary, however, is 79 years old, and many other leading members of the Politburo are in their seventies. The party congress thus faced the challenge of breaking in a new generation of leaders.

Beyond the immediate question of succession, the sixth party congress also confronted intimidating problems in the areas of foreign affairs and domestic policy. Foremost among Hanoi's foreign policy concerns in recent years has been the issue of Kampuchea, formerly known as Cambodia, where an estimated 150,000 Vietnamese troops support the ruling Heng Samrin regime. Heng Samrin is opposed by a coalition of states consisting of China and the ASEAN alliance. (ASEAN, the Association of Southeast Asian Nations, is composed of Indonesia, Malaysia, Thailand, Singapore, Brunei and the Philippines.) At the root of the dispute over Kampuchea is Hanoi's determination to form an intimate alliance, often described as a "special relationship," between Vietnam, Laos and Kampuchea, under Vietnamese leadership.

The current government in Phnom Penh was placed in power in early 1979 after a brief Vietnamese invasion overthrew the ruling anti-Vietnamese regime of the Khmer Rouge leader, Pol Pot. To compel the Vietnamese to withdraw their forces from Kampuchea and to create conditions favorable for the creation of a new

government in Phnom Penh independent of Hanoi, China and its ASEAN allies sponsored the Coalition Government of Democratic Kampuchea (CGDK), composed of Pol Pot's Khmer Rouge forces and two non-Communist factions under Prince Norodom Sihanouk and the non-Communist politician Son Sann. From bases on the Thai border the military forces of the CGDK have undertaken operations in Kampuchea to destabilize the government of Kampuchea and to force Hanoi to accept a negotiated settlement.

For several years, neither side was able to achieve a decisive military advantage. Then, in the winter of 1984-1985, Vietnamese occupation forces launched a major military operation along the Thai-Kampuchean frontier to clear out rebel bases and seal off the border from further infiltration from Thailand. In the two years since the operation, the Vietnamese have extensively fortified the area and reportedly have moved in Cambodian settlers loyal to the Heng Samrin regime to build combat villages and prevent the return of hostile Kampuchean forces. In the meantime, Vietnamese troops are attempting to mop up remaining resistance forces in the interior of the country.

Hanoi's strategy is essentially long term. Confident in their superior firepower and patience, the Vietnamese clearly hope to provide a breathing space to enable the Heng Samrin regime to achieve political stability and win the support of the local population. At the same time, Hanoi has dealt with the external sponsors of the CGDK by relying on its wartime strategy of "fighting and negotiating," offering cosmetic concessions on the Kampuchean issue to exploit potential cracks in the anti-Vietnam alliance and to win time for Heng Samrin's regime to prove its legitimacy and present the world with an accomplished fact.

The results have been mixed. The closing of the border has enabled Phnom Penh to improve economic conditions and build up its institutional base and a government infrastructure. According to recent estimates, the size of the ruling Kampuchean People's Revolutionary party (KPRP) has increased from less than 1,000 members at the time of the Vietnamese invasion in 1979 to over 10,000 today.¹ The regime

¹Nick Cumming-Bruce, "Proposals to the Prince," *Far Eastern Economic Review*, December 25, 1986, p. 15.

appears to have earned at least the tacit support of the majority of the population, who continue to fear the return of the brutal Pol Pot. An intensive effort has been undertaken to build up Kampuchean armed forces to assume security responsibilities and facilitate the withdrawal of Vietnamese troops. Confidence in the success of this effort has led officials in Hanoi to promise that Vietnamese forces will leave Kampuchea by 1990, whether or not there is a negotiated settlement.²

For Hanoi, however, not all the signs are favorable. Although there has been a rise of factional infighting within the CGDK (most notably, a leadership squabble in the faction led by Son Sann and reported clashes between the Khmer Rouge and forces loyal to Norodom Sihanouk), this has not led to a significant reduction in rebel activities inside Kampuchea. Guerrilla units—particularly those of the Khmer Rouge—are still active in many provinces and are apparently capable of operations in the capital area, where a curfew has been in effect for several months. There are also indications that the continuing civil war and the presence of Vietnamese troops have affected morale in the Phnom Penh regime and have sparked a rise in anti-Vietnamese sentiment. One factor that may contribute to such attitudes is the settlement of thousands of ethnic Vietnamese inside Kampuchea.³

The continuing stalemate on the battlefield has been reflected in the realm of diplomacy. Peace talks have been stalled because of the continuing Vietnamese occupation of Kampuchea, differences over the negotiation process, and the composition of a future government in Phnom Penh. Hanoi has refused to hold talks except on the basis of the political and military elimination of the “Pol Pot clique” and claims that the current regime in Phnom Penh must be recognized. The CGDK and its external sponsors have insisted that the Pol Pot faction, despite its unsavory past, must be represented in peace talks and must be regarded as part of a future government.

In January, 1986, the biannual Conference of Foreign Ministers of the Indochinese Countries issued an

²As far as I know, the statement was originally made by Foreign Minister Nguyen Co Thach in August, 1985, and has been repeated on several occasions.

³There are widely divergent estimates of the number of ethnic Vietnamese now living in Kampuchea. Resistance sources claim there are several hundred thousand Vietnamese there. According to a Vietnamese source, there were only 56,000 Vietnamese in Kampuchea at the end of 1983. See the *Vietnam Courier* (Hanoi), December, 1984, p. 9.

⁴Press Release, Permanent Socialist Republic of Vietnam (SRV) Mission to the United Nations, January 24, 1986, p. 2.

⁵Press Release, Permanent Mission of Democratic Kampuchea to the United Nations, March 19, 1986.

⁶“Communiqué of the Thirteenth Conference of Foreign Ministers of Kampuchea, Laos and Vietnam,” *Vietnam Courier*, September, 1986, pp. 8–9.

eight-point communiqué, which was a restatement of Hanoi’s previous position, asserting that Kampuchea was willing “to enter talks with opposition individuals or groups to achieve national reconciliation on the basis of the removal of the Pol Pot clique.” Once agreement had been reached, it continued, free general elections could be held following the complete withdrawal of Vietnamese forces from Kampuchea. Further negotiations could be held among the states in the region to achieve lasting peace based on the formation of a “zone of peace and stability” in Southeast Asia.⁴

The January communiqué offered little that was new, and in March, leaders of the CGDK, meeting in Beijing, countered with an eight-point proposal of their own. The CGDK proposal called for the gradual withdrawal of Vietnamese forces from Kampuchea, followed by the formation of an interim government headed by Prince Sihanouk and including members of the Heng Samrin government as well as all three factions in the CGDK. After national elections supervised by the United Nations, a new government in Phnom Penh would sign a nonaggression treaty with Vietnam.⁵

Phnom Penh quickly charged that the proposal represented “gross interference” in Cambodian internal affairs, and a conference of the Indochinese foreign ministers held in Hanoi in August labeled it “unacceptable,” since the proposal demanded the effective elimination of the People’s Republic of Kampuchea, “something which has proved impossible by military means for the past eight years.” The conference reiterated Hanoi’s intention of removing Vietnamese troops from Kampuchea by 1990, but warned that “should this withdrawal be taken advantage of to the detriment of peace and security in Kampuchea,” Vietnam and Kampuchea would “consult each other on appropriate measures.”⁶

In considerable measure, Hanoi’s unwillingness to accept a settlement involving the dismantling of the Heng Samrin regime is caused by its suspicion of China. Concern that China was using the Pol Pot regime as a “dagger pointed at the heart of South Vietnam” provoked the original Vietnamese invasion of Kampuchea in December, 1978. China’s attack on the Sino-Vietnamese border the following February confirmed the conviction of Vietnamese leaders that the creation of a “special relationship” among the Indochinese countries was crucial to their national security.

The dispute with China has been enormously costly for Vietnam, and in recent years Vietnamese leaders have periodically attempted to defuse the issue by offering a cease-fire on the basis of the status quo. Vietnamese sources voice confidence that eventually China will have to abandon its current policy, and there have been sporadic reports that secret talks have taken place. For the most part, however, Beijing has

snubbed Hanoi's overtures, preferring to follow its own long-term policy of isolating Vietnam in an effort to compel the Vietnamese to accept China's terms for a settlement. A key element in Chinese strategy is the application of military pressure to weaken the Vietnamese economy and encourage internal unrest. The two prongs of that pressure are applied in Kampuchea, where China is providing active support to the forces of the CGDK, and along the Sino-Vietnamese border. During 1986, both sides reported heavy clashes along the frontier.⁷

Thus far, China's policy of intimidation has had little success, and Beijing has recently begun to approach the problem through negotiations with Moscow. In Sino-Soviet discussions aimed at improving their mutual relations, China has informed Soviet negotiators that the presence of Vietnamese troops in Kampuchea is one of the "three obstacles" to the normalization of China's relations with the Soviet Union (the other two "obstacles" are the presence of Soviet troops in Afghanistan and along the Sino-Soviet border).

Moscow has resisted Beijing's transparent suggestion to improve relations with China at the expense of Vietnam, replying that it will not discuss problems related to "third countries" in the talks. But there have been persistent reports that Soviet leaders are uncomfortable with Hanoi's relatively uncompromising position on Kampuchea and would like to see the issue resolved so that the Soviet Union could develop friendly relations with both countries. In his speech in Vladivostok in July, Soviet General Secretary Mikhail Gorbachev appeared to take an even-handed view of the dispute, advising both China and Vietnam to remove "unnecessary suspicion and distrust" in order to improve their mutual relations.⁸

Beginning in October, there were tantalizing signs of movement on the issue. At the ninth round of Sino-Soviet negotiations held that month, the Soviet negotiator, Igor Rogachev, apparently broke with precedent and agreed to place the Kampuchean issue on the agenda for the next round of talks. While there were no indications that Moscow would abandon its support for Hanoi's position, Rogachev reportedly

⁷Hanoi claims that there are between 15 and 20 Chinese divisions near the border. For a history of the negotiations see "Memorandum of Vietnam-China Relations," *Vietnam Courier*, April, 1986.

⁸According to one source, the Chinese found some "positive elements" in the speech, but were awaiting specific actions in Kampuchea. For a discussion, see Nayan Chanda, "Diplomacy in the Air," in *Far Eastern Economic Review*, September 18, 1986, p. 26.

⁹Sihanouk rejected the offer and countered with a proposal that he meet first with Vietnamese leaders, the meeting to be followed by an international conference on the issue. See Nayan Chanda, "Communist Compromise?" in *Far Eastern Economic Review*, December 25, 1986, p. 14.

¹⁰*The New York Times*, July 3, 1986.

implied that the issue could be resolved. Less than two weeks later, in a message to Prince Sihanouk, Hanoi intimated a new willingness to include the Khmer Rouge (without Pol Pot) in peace talks to resolve the Kampuchean dispute.⁹

In public, Vietnamese spokesmen have displayed their confidence in Soviet support, but there seems little doubt that under the surface they are concerned that Moscow might sell them out as it has on several occasions in the recent past. In an obvious effort to reduce the likelihood of such a contingency, the Vietnamese have accepted a disagreeable degree of dependence on the Soviet Union. The most visible evidence of this dependence lies in the growing Soviet military presence in Vietnam, but a more meaningful index of the relationship can be found in the increasing integration of the Vietnamese economy into the Soviet-dominated Council for Mutual Economic Assistance (CMEA), and Hanoi's virtually total support for all Soviet positions in international affairs.

As the Vietnamese are well aware, they pay a heavy price for their decision to support Moscow. Most important, perhaps, the Soviet relationship is a serious obstacle to Hanoi's efforts to broaden its political and economic contacts with nations outside the socialist bloc. In general, most Western nations still maintain an economic boycott of Vietnam because of the Kampuchean issue and Hanoi's pro-Soviet tilt in foreign affairs, although a few, like Sweden, are providing limited economic assistance. Vietnamese leaders apparently believe that the key to improving relations with the West lies in Washington, and in recent months Vietnam has promised to resolve the issue of the MIA's by locating United States soldiers still missing in action in Vietnam after the war, in the hope of improving relations with the United States.

So far, the results have been meager. In January, 1986, the two sides reached an agreement to cooperate to locate MIA's, but shortly afterward Hanoi announced that it could not meet its self-imposed two-year deadline unless the overall political atmosphere between the two countries improved. In June, Vietnam turned over the remains of 21 American soldiers to a visiting United States delegation. In return, at Hanoi's request, the United States made a written commitment to help meet the two-year deadline. The administration of President Ronald Reagan has suggested that a United States technical office should be established in Hanoi, but the Vietnamese have not yet responded.¹⁰ It remains doubtful, in any case, that the Vietnamese are prepared to make meaningful concessions to improve relations with the United States. According to official spokesmen in Hanoi, Vietnam does not believe that the United States is serious about ending the hostility between the two countries, since the Reagan administration has allegedly subordinated its interests in Asia to those of China.

THE DOMESTIC SCENE

Hanoi confronts serious domestic problems. A stagnant economy, social unrest in the south, and the rise of "negative phenomena" in the form of widespread official corruption have led to low morale in the party, in the government bureaucracy and in the population at large.

Some of these ills, as Vietnamese official sources point out, can be ascribed to the regime's difficulties in foreign affairs, which have drained precious resources, deprived the nation of vitally needed technology and capital, and contributed to a growing sense of malaise. But there is also a growing conviction among many thoughtful Vietnamese leaders that a cardinal reason for Vietnam's internal woes is the Leninist model of bureaucratic centralism patterned after that of the Soviet Union.

The system of centralized planning was adopted in the north during the Vietnam War and was put into operation in the south after the seizure of Saigon in 1975, when party planners, confident because of their spectacular victory, set high goals for economic growth and a rapid advance to socialism. The consequences were disastrous, and in 1979 the regime backtracked, introducing a series of reforms that delayed the transition to socialist ownership in the south.

Hard-liners in the party, however, opposed these concessions and pushed for ideological orthodoxy. At the fifth party congress in 1982, the regime reached an uneasy compromise that permitted the survival of a small capitalist sector and limited incentives, while essentially preserving the system of centralized planning and maintaining a steady pace of socialist transformation in the south.

During the next few years, the economy began to show signs of recovery. According to recent official figures, since 1981 industrial production has increased at a rate of nearly 10 percent a year, while food output has increased by nearly 5 percent, leading official spokesmen to proclaim that the nation is gradually approaching self-sufficiency, albeit at a low level of consumption.¹¹ Still, the economy faces intimidating problems, including a primitive infrastructure and technological base, insufficient capital, excessive bureaucratic controls and a massive foreign debt.

Spurred by criticism from reform-minded elements in the government and the party—many of them younger technocrats experienced in dealing with the recalcitrant southern provinces—in June, 1985, the eighth plenary session of the party's Central Committee announced what were described as "drastic

and extraordinary reforms" aimed at reducing bureaucratic centralism by providing local management with increasing autonomy to make decisions on prices, wages and production schedules. The overall objective was to set up a system of "socialist economic accounting by business methods."¹²

During the next several months, the regime attempted to put the provisions of "resolution eight" into effect. State subsidies on food and certain consumer goods for state employees were abolished in order to reduce government expenditures and encourage market forces. In August, the Vietnamese currency was devalued in an effort to bring it into line with its value on the international exchange market.

Such measures have had only limited success. During the first half of 1986, the economy remained sluggish while the inflation rate soared, forcing the regime to reinstitute price controls on key commodities. Urban residents, caught in the whipsaw of rising prices and the abolition of subsidies, have grown more outspoken in their criticism about "the old men at the top" who should retire and make way for a new generation more sympathetic to drastic economic reform. Statements in the official press openly concede serious economic difficulties while railing at the rising incidence of corruption, low morale and self-serving behavior in the party and the bureaucracy.

Throughout the spring of 1986, there was open speculation that many veteran party leaders would retire at the sixth party congress scheduled to be held at the end of the year. In June, Cabinet changes were announced, including the demotion of Vice Prime Minister To Huu, considered a leading member of the conservative faction. This suggested that reformist views were becoming increasingly prominent in the ruling councils of the regime.

In early July, General Secretary Le Duan, generally reputed to have favored compromise between the ideological and the pragmatic factions, died in Hanoi. The appointment of Truong Chinh (generally regarded as an opponent of reform) to succeed him suggested to some observers that the conservative faction had driven back the reformist challenge. Others, however, viewed him as an interim replacement while the party leadership continued to debate the nation's economic problems in preparation for the upcoming national congress.

The sixth national congress opened on December
(Continued on page 179)

William J. Duiker has published widely on current issues in Southeast Asia. His most recent publications are *Vietnam since the Fall of Saigon* (Athens, Ohio: Ohio University Press, 1985) and *China and Vietnam: The Roots of Conflict* (Berkeley: Institute of East Asian Studies, 1986). He last visited Vietnam and Kampuchea in December, 1985.

¹¹"Political Report of the Communist Party of Vietnam at the Sixth National Party Congress," in Foreign Broadcast Information Service, *Daily Report: Asia and the Pacific* (hereafter FBIS), December 17, 1986, p. K2.

¹²Press Release, Permanent SRV Mission to the United Nations, June 25, 1985.

For Laos, "the bitter recriminations of the past may be receding in a manner that will allow Laos to seek badly needed economic assistance and the relaxation of military vigilance. The prospect that Laos will seek a larger degree of independence from Vietnam is not a serious one. . . ."

Easing the Burden of Socialist Struggle in Laos

BY MACALISTER BROWN

Professor of Political Science, Williams College

SINCE the days of the greatest Lao dynasty, in the fourteenth century, the Lao people have enjoyed neither national definition, nor territorial integrity, nor political independence. They have suffered the domination of expansionary neighbors (the Siamese and Vietnamese) and have fallen behind in national development. France laid claim to the Vietnamese position of protector in the transmountain region west of Tonkin and Annam when the French seized control of those dynastic areas at the end of the nineteenth century. In so doing, they frustrated Siamese inclinations to dominate both sides of the Mekong River valley, as Siam had periodically done in the past. With Japan's help in World War II, Thailand (as Siam chose to call itself) took back parts of Laos from the French, but the acquisition was short-lived. However, it served to question France's capacity as protector of Laos. At the war's end, the political elite formed the Free Laos movement, which resisted the return of French administration.

The Free Laos movement ultimately faltered; in 1949, its leaders returned from exile in Bangkok to share in a gradual devolution of French authority to the lowland Lao elite. A residue of implacable personalities and resentful tribal leaders, however, made common cause with the Viet Minh liberation front in Vietnam, which was dominated by Ho Chi Minh's Indochina Communist party. Eventually these apprentice Lao revolutionaries—the Pathet Lao—were advised by their mentors to found their own clandestine Lao People's Revolutionary party (LPRP) in 1955, which secretly led the Lao Patriotic Front. Using both armed and political struggle and bolstered by military assistance in the east from North-Vietnamese forces, the Pathet Lao gained control over most of the country outside the Mekong River towns. In 1973, the cease-fire in Vietnam was extended to Laos. After two years of coalition government between the Pathet Lao and its rivals, and following the Communist seizure of Saigon, on December 2, 1975, the secret LPRP moved into the open and proclaimed a Lao People's Democratic Republic (LPDR). Its efforts since then have been fraught with economic failure and popular dissatisfaction.

No issue is more critical to the rulers of Laos than economic development for their nation of 3.6 million, which has a per capita income less than the per capita income in Bangladesh (under \$150). On the establishment of the LPDR, revolutionary party leaders sought to leap boldly past the capitalist development stage to the final goal of socialism. During the next four years a number of onerous economic policies were imposed on a bewildered nation, which quickly lost its readiness to rally to the party's promises of egalitarian national uplift.

The harsh controls imposed on private commerce and services, the restrictions on internal travel, the progressive tax on rice production, the ideological indoctrination through periodic "seminars" in neighborhood and workplace, and the cooperative drive in agriculture dampened the national mood and spurred an exodus of tens of thousands of skilled and productive citizens across the Mekong River into Thailand. The most needed segment of the nation, now that the armed struggle was over, was slipping away to refugee camps and third-country resettlement, while less educated and sometimes overzealous party cadres were grappling awkwardly with economic and administrative problems that civil war in the mountains had not prepared them to master.

ECONOMIC POLICY

By 1979, the LPDR leadership had made the critical decision to slow the pace of socialist transformation and tolerate capitalist devices in areas where more economic activity might be generated. The Lao party's mentors in the Socialist Republic of Vietnam set the pattern for this adjustment at about the same time. Agricultural cooperatives, for which the Lao leadership had been setting annual goals, were no longer urged on peasant communities, and the tax on farm production was lifted. Rice cultivation improved, and by 1984 the government began to claim national self-sufficiency in grain, even though transportation shortages and restrictions continued to leave some areas (the capital of Vientiane, in particular) food deficient. The reforms were set forth in the seventh resolution of the annually assembled Supreme Peo-

ple's Assembly (SPA) in 1979, and embodied in the first five year plan announced in 1981. (The five year plan was not publicly released, and it is not certain that it was set forth in systematic detail within the State Planning Commission, which includes some expert Soviet advisers.)

Five forms of economic organization were acknowledged by the seventh resolution: individual private production; collective economy (for example, cooperatives); state farms, industry or commerce; capitalist economy (private enterprise within state limits); and state-capitalist economy (joint enterprises). The reforms allow a potentially disruptive tension to exist between capitalist and state sectors and between private and collective production, even though the LPRP government remains irrevocably committed to the socialist transformation of the nation. Profitability was reintroduced for evaluating enterprises; subsidies were reduced to give greater leeway to price as a regulating mechanism; and management was partially decentralized. The economy has responded somewhat to these liberalizations, but basic disagreements over economic strategy within the ministries seem in part to account for periodic arrests of vice ministers, ostensibly on charges of corruption. A further complication of the internal party debate over economic strategy is the political unacceptability of Chinese economic models, even though they parallel, or even exceed, the capitalism tolerated by the Vietnamese mentors of Laos.

A second five year plan (1986–1990) was adopted by the fourth party congress in November, 1986, again in tandem with Vietnam's planning cycle. Indeed, the planning directors of the three Indochinese socialist states now meet regularly to coordinate their efforts. Unlike the first plan, which set seven priority goals for the economy, the second plan emphasizes four major concerns: food production, forestry exploitation and management, industry and crafts, and transportation systems. The plan also calls for the doubling of trade by 1990. Grain production was reported at 1.4 million tons in 1985, and is projected at 2.2 million tons by 1990, which would be an even greater rise than the 32 percent increase claimed during the first five year plan. Higher government purchase prices, loosening of controls over moving rice to neighboring provinces, and large fertilizer subsidies would probably be required to reach such a goal. Forestry production, a rich natural resource for Laos, has dropped by 50 percent since the late 1970's, and Prime Minister Kaysone Phomvihane called on the government to stop sacrificing forest for crop cultivation. The "slash and burn" farming methods of tribal people are the chief source of concern, and the Prime Minister asked for remedial measures that did not create "difficulties for the living conditions" of the tribal people traditionally practicing this technique. Kaysone noted that "unscrupulous" logging and smuggling of forest prod-

ucts also contribute to the loss of trade revenue.

General industrial output fell 40 percent between 1980 and 1985, according to the World Bank. The leadership will strive to continue its recent reversal of the trend, while adding more small-scale factories with East European assistance. The construction of all-weather trucking routes for a national north-south artery (Route 13) and for east-west arteries through the mountains to the ports of Vietnam remains a vital requirement for Laos's economic development and will receive the largest share of investment. Soviet and East European engineers and Vietnamese construction crews have labored steadily since the late 1970's to carve and harden the routes and span the rivers and torrents between the Mekong Valley towns and the mountain passes to Vietnam. On Route 9 to the Vietnamese port at Vinh, 25 of the 33 critical bridges remained to be built in 1986. The Soviet Union has also promised a parallel oil pipeline.

The trade pattern of Laos is dominated by the sale of electricity to Thailand (\$48 million in 1985) from the internationally donated Nam Ngum Dam, which provides 90 percent of the LPDR's hard currency earnings. In turn, about one-fourth of Laotian imports (particularly consumer goods) originate in Thailand. Again, there has been a decline in recent performance in the export sector, and new opportunities must be sought. Forestry products, lead, coffee, cardamom and gypsum offer the best prospects for trade, but lacking infrastructure and internal security, tourism is hardly even a planner's dream.

Foreign economic assistance therefore remains crucial to the fledgling Lao economy, and about half the estimated \$80 million in annual aid will come from the Soviet Union and East Europe. Typically, the Soviet Union has signed agreements in which it receives wood, coffee and tin, and donates major amounts of machinery, oil, transportation construction material and special projects, like a television network for Vientiane, or mineral exploration, a cement factory, a hospital, or a machine repair shop. East Germany has promised to assist in the training of public health management cadres and in medical statistics compilation. Vietnam prides itself on donating joint development projects numbering in the hundreds since 1975 while also exchanging milk, sugar, bicycles, cotton and vehicle spare parts for Laotian coffee, forestry products and tobacco.

Japan has recently contributed a hydroelectric turbine for the Nam Ngum Dam and financing for the voluntary repatriation of refugees. The United Nations Development Program has recently helped Laos compile a catalog of more than 100 projects requiring almost \$300 million in foreign aid, and Sweden and Australia have shown some willingness to help. The World Bank and the Asian Development Bank have provided project loans in agriculture and electrification, and UNESCO

and UNICEF have made direct grants for education. The United States was barred by Congress from extending any aid (except humanitarian) to Laos until Congress repealed the law in 1986 at President Ronald Reagan's request. This will give Washington more bargaining ability in seeking Lao cooperation in the search for the remains of United States servicemen missing in action (MIA's) at war-time crash sites.

As the Lao leadership has publicly acknowledged, the most urgent task "in translating economic policies into reality" is to "modify the economic management mechanism." The party's Central Committee directives strive for state control over transactions and guidance for spending, but they talk of self-reliance among the party, the masses, and the army. The army, which now has 10 members on the 55-member party Central Committee, has recently been given a greater role in the society as a "shock force" to reach the grass roots and help educate the people. Ideological propagation has been a dominant concern of Laotian leaders since coming to power, and nationwide conferences on propaganda and training occur with growing frequency and sophistication.

To compensate for the departure of almost all the civil servants of the old regime, the LPDR has annually sent several thousands of government and party personnel to training in Vietnam, the Soviet Union and Soviet-bloc nations. On their return, they have brought new technical abilities, but they are often too young to assume decisive management roles. Until more seasoned and decisive government administrators can be provided, the state's ability to absorb foreign assistance will remain limited. Vietnam claims to send 900 specialists each year to assist its neighbor in developing and managing its economy. In addition, Vietnamese advisers are reportedly assigned within the ministries to channel the thinking of their Lao associates in the directions preferred by the stronger partner in the "special relationship."

Education of a different sort, "reeducation," was meted out to the "reactionary elements" of the Royal Lao government and army in 1975, when between 10,000 and 15,000 officials trustingly reported for "seminars," of presumably short duration, to learn the philosophy of the emergent ruling party. Ten years later, Amnesty International estimated that between 5,000 and 6,000 remained restricted to remote areas of the country. In many cases, they now work in villages under surveillance, or on road construction crews. Amnesty International has given Prime Minister Kaysona a list of 2,632 persons who may still be in detention. No legal charges have been brought against these survivors, and no constitutional or fundamental rights or criminal code have yet been adopted by the revolutionary government to which they might appeal, although a draft constitution was reportedly adopted by the Supreme People's Assembly in 1986. A few

thousand "students" have been released over the years, often with offers of government jobs, and families have been allowed to join the detainees near the original camps. The days of ritual recantation of one's own biography, of incantation of party policy resolutions and communal incarceration appear to be past. Yet for the politically steadfast or intractable detainees, there seems to be little hope of return to their original workplace.

RESISTANCE

The retired King's removal from the royal capital of Luang Prabang was prompted by the growth of resistance groups among Lao refugees, who began to recross the Mekong River from Thailand to engage in sabotage, intelligence gathering and propaganda. After 1979, some hundreds of militarily able refugees made their way to Yunnan province in China, where wartime military leaders like Vang Pau (the former Hmong secret army leader) and Kong Le (who led a popular uprising in 1960) were rumored to be living. The Chinese apparently provided military training to the Lanna Division (named after an ancient kingdom in the China-Lao border region), but this guerrilla threat is no longer mentioned in Lao government propaganda.

The resistance groups based in Thailand claim as many as 7,000 to 8,000 members and occasionally show their guerrilla ability, as well as their difficulty in agreeing on leadership. One of the military stalwarts of the anti-Communist effort, General Phoumi Nosavan, died in November, 1986, and it is not easy for the resistance-minded refugees to unite behind another leading personality. The guerrillas have harassed transportation routes and sabotaged military supplies, and they have even resorted to terror with the placing of a bomb in Vientiane's international hotel in 1985. The LPDR regularly admonishes its citizens to be vigilant against the "schemes and tricks" of reactionaries, to report the saboteurs and to aid the militia in dealing with rebellious and subversive activities. In extremity, the 45,000 Vietnamese troops stationed in Laos, under provisions of the 1977 Treaty of Friendship and Cooperation, stand ready to defend the revolution, but sabotage and propaganda raids can burden the LPDR's economic performance and even provide a bargaining chip for Thailand.

Prince Souvanna Phouma, who tried for years to bind together the revolutionary and traditional leaders of Laos, died in January, 1984, at age 82 (while living in retirement he had been officially designated as counselor to the LPDR). On three occasions (1958, 1962, 1984) he headed coalition governments embracing his half-brother, Prince Souphanouvong, and the latter's Communist colleagues as well as royal Lao conservatives; but the mixture never jelled.

Another key personality was officially mourned for

5 days in July, 1986, when Faydang Lobaliayu, the leading Hmong personality in the Lao Patriotic Front, died. Associated with the revolution since 1950 but never a member of the party's Central Committee, Faydang was a symbol of the Pathet Lao's position on ethnic equality and the enlistment of tribal people, even though the leadership drew disproportionately on the lowland Lao.

REFUGEES

After ten years of continuing exodus from Laos into Thailand by easily purchased or personally effected crossing of the Mekong River, Lao citizens now face serious constraints when leaving Laos. Since 1984, the Thai government has provided space and overall administration for United Nations-supported refugee camps and has been screening new arrivals from Laos looking for genuine political refugees who can show that they have a genuine fear of persecution or punishment if they return home. Other Lao are treated as illegal aliens, whose departure from Laos is usually related to economic goals, draft evasion or family reunions. At the same time, Thai authorities have patrolled the river to interdict new entries, and they often send them back. A threat of forced repatriation by the Thai government from the camps has sometimes been heard, but serious Thai policy is aimed at organizing voluntary repatriation under the auspices of the United Nations High Commissioner for Refugees and the Lao government. By 1986, the number of such returns approached 3,000, whereas the total outflow exceeded 300,000.

In the midst of these uncertainties, the Lao population in the camps dropped to 91,000 in July, 1986. As thousands continue to leave for third country resettlement, Thailand is beginning to close some camps. Meanwhile the rate of new arrivals (about 600 to 700 a month) in 1985 was less than half the number of arrivals in the previous year. With transit of the river and acceptance into the camps more difficult than it used to be, and with the promise of joining friends or family in the United States or France less certain than it was before, migration from Laos is more difficult to read as a barometer of civic loyalty and economic well-being in the LPDR.

THE FOURTH CONGRESS

The major political event in Laos in 1987 was the fourth congress of the Lao People's Revolutionary party. Having lived in secret from 1955 to 1972 before scheduling its second congress, the party went public a year later, and held its third congress nine years later. The next interval between congresses was four years (1982–1986). Unlike their Vietnamese partners, the Lao party leaders did not remove any of the top echelon, which had led the movement for 40 years. The seven-man Politburo originally made public after the

second congress was enlarged by four, who were taken in order from the eighth to eleventh ranks on the party Central Committee list. Thus, Sali Vongkhamsao, the Council of Ministers' vice chairman for economic planning; Sisavat Keoboungphan, the minister of interior; Saman Vi-gnaket, the deputy minister of defense; and Maichatan Sengmani, the chairman of the state control committee, joined the top executive body of the ruling party.

Two alternate members were added for the first time: Oudom Khatti-gna (probably a Hmong) from the Xieng Khouang province party committee, and Choummali Sai-gnakong, who is responsible for army logistics. Both alternative members reached the Central Committee level as recently as 1982, whereas the four new full members served on the Lao Patriotic Front's Central Committee more than 20 years ago.

In dealing further with the transition to younger leadership, the party's Central Committee dropped 10 members and elected 11 new full members and 9 alternates. Four members had died between 1982 and 1987. The aging factor was dramatized at the congress by the stepping down of the proudly vigorous Souphanouvong (age 77) from the presidency following a stroke experienced en route to the Nonaligned Movement conference in August. Politburo member Phoumi Vongvichit (age 77) has been designated acting President, and Souphanouvong appeared at the congress in a wheelchair. Phoun Siprsenut (age 66), the foreign minister and Politburo member, has been in unsteady health for some years and has been dropped with two others from the secretariat of the party's Central Committee. The second-ranking member of the Politburo, Nouthak Phoumsavan (age 72), was dropped from the nine-man day-to-day executive body. Thus the movement toward a second generation of leadership is discernible but not so advanced as it is in the older Vietnamese Communist party.

FOREIGN POLICY

The General Secretary's remarks in the realm of foreign policy were closely noted abroad; he called for improved relations with Thailand, the United States and China. With respect to its western neighbor, Lao relations hit a new low point in the summer of 1984 but have shown encouraging signs of improvement in the past year. Thailand controls three instruments that can seriously hamper the development of Laos—the reception of refugees and economic migrants from Laos, the tolerance of and cooperation with armed

(Continued on page 177)

MacAlister Brown has written extensively on Indochina. His most recent book, cowritten with Joseph J. Zasloff, is *Apprentice Revolutionaries: The Communist Movement in Laos, 1930–1985* (Stanford, Calif.: Hoover Institution Press, 1986).

"In eight years of war, the Vietnamese have been unable either to defeat the resistance or to create a client government popular with Cambodians. . . . [And] the ugly fact remains that the major faction fighting the occupation is the now underground army of the Communist party of Kampuchea [Cambodia], loyal to and led by Pol Pot."

Stalemate in Cambodia

BY ELIZABETH BECKER

Author, When the War Was Over: Voices of Cambodia's Revolution and Its People

BERNARD B. Fall's histories of the First and Second Indochinese Wars are so memorable because he never lost sight of the battlefield.* Fall read the disposition of armies the way other historians analyzed political tracts. He understood that in Ho Chi Minh's wars military and political strategies were nearly indivisible. Political reality was found at the front.

In this respect, the Vietnamese Communists have not changed. In the Third Indochina War for control of Cambodia,** Vietnam's political predicament is mirrored in Vietnamese stalemate on the battlefield. One proceeds from the other.

In eight years of war, the Vietnamese have been unable either to defeat the resistance or to create a client government popular with Cambodians. The resistance has survived all the Vietnamese offensives and its impact is spreading in the Cambodian countryside but it is incapable of unseating the Vietnamese. Not only are the Vietnamese forces vastly superior, the ugly fact remains that the major faction fighting the occupation is the now underground army of the Communist party of Kampuchea, loyal to and led by Pol Pot.

Over the years it has become clear that Vietnam is unable to break the stalemate because of its serious misreading of the source of Cambodian resistance. From the beginning, the Vietnamese equated resistance to its rule with the actual leaders and soldiers fighting against them. They personalized and trivialized the notion of a serious political resistance to their occupation of Cambodia.

In August, 1979, Nguyen Co Thach, now foreign minister of the Socialist Republic of Vietnam (SRV), told me:

It's hopeless for Pol Pot. He has no political basis in Kampuchea. The others, who are they? Nothing. . . . It

*See for example *Street without Joy* and *Last Reflections on a War*, both reissued in 1972 by Shocken Press, New York.

**Editor's note: Called Kampuchea by the occupying Vietnamese and by the coalition of Cambodian resistance forces now fighting the Vietnamese. The United States also recognizes the country as Kampuchea.

¹Interview with author, Hanoi, August, 1979.

is like in your Chicago where you have a lot of gangsters.¹

The Vietnamese were unwilling or, more likely, unable to imagine that the Cambodian nation might possess the spirit to resist regardless of who led the fight. And over the years the Cambodians have gained a better appreciation of what they are resisting. The Vietnamese call it "Indochinese Solidarity"; a more accurate description is the absorption of Cambodia into a Vietnamese-controlled Indochinese bloc that also includes Laos. Through a system of unequal treaties, enforced by Vietnam's military superiority, Hanoi has institutionalized its control over Cambodia.

Recently, Vietnam's misreading of the source of the resistance proved itself in spades both on the battlefield and in the political arena. After three years of intensive attacks using massive firepower, the Vietnamese army destroyed all the resistance camps inside Cambodia near the Thai border. The Vietnamese confidently predicted the end of the war in two years. But the resistance was not destroyed. Instead, resistance forces moved their operations inside the country, and today some 30,000 guerrillas are mounting sabotage missions in all corners of the country.

Politically, the war is proving more resilient than the men who started it. Since the destruction of their border base camps, the leaders of all three resistance factions have either been seriously ill or have faced a major challenge within their organizations. Yet their fight continues. On the other side, the Vietnamese Communist party underwent major leadership changes in the winter of 1986-1987 with no visible effect on the war. And the People's Republic of Kampuchea (PRK), the client state established by Vietnam, underwent a Cabinet reshuffle. Politics, not personalities, is fueling this war.

As such, international politics is the key to breaking the stalemate, because neither side in the war seems capable of winning a victory. Just as most international solutions appeared exhausted, the Soviet Union began to show an interest in the Cambodian stalemate. This is the first time any nation with power over the Vietnamese has stepped into the fray, and for the first time there is reason to believe a solution might be found.

In the meantime, the Vietnamese are faced with a political and military conundrum: why was the regime of Democratic Kampuchea (headed by Pol Pot) so easily toppled in 1979 while the resistance dominated by this deposed Democratic Kampuchean leader is so difficult to dislodge? Conversely, how can Cambodians who suffered so terribly under the state of Democratic Kampuchea now condone and even support a resistance led by the same people?

Taking a clue from Bernard Fall, the first place to look is the battlefield.

FIGHTING THE OCCUPATION

One can sympathize with Vietnam's initial confidence that any resistance led by the Cambodian Communists, known colloquially as the Khmer Rouge, was bound to fail. In the beginning, the resistance war was the least of Vietnam's problems in Cambodia. The country was exhausted, hungry and traumatized by the nearly four years of revolution imposed by Democratic Kampuchea. The old society had been decimated. Nearly two million people had died as a result of its policies, as much as one-fourth of the population.²

The international community mounted the largest relief operation ever known to save the Cambodian people (later this was eclipsed by the African relief effort). World sympathy for the Cambodians multiplied as the Vietnamese invaders uncovered and released evidence of the horrors of Democratic Kampuchea. At first, many Cambodians accepted the Vietnamese as liberators.

The war seemed part of the overall chaos on the Thai-Cambodian border. Who could tell the difference, then, between a bandit and a resistance fighter? Often there was none.³ After mopping up the remnants of the army of Democratic Kampuchea, which numbered some 60,000 in 1980, the Vietnamese army adopted a conventional, static defense strategy. The aim was to keep the Khmer Rouge forces restricted to the border area and out of Cambodia; the war was a border problem, not a national resistance.

The Vietnamese stuck to this hypothesis and strategy for over three years. In the interim, Communist and non-Communist resistance forces grew, fed by

considerable aid from China, by invaluable cooperation from Thailand, and by the open encouragement of the United States as well as the Association of Southeast Asian Nations (ASEAN), of which Thailand is a member.⁴ After considerable bickering and back-stabbing, two non-Communist forces emerged: the Khmer People's National Liberation Front (KPNLF) of former Cambodian Prime Minister Son Sann and the Armée National Sihanoukist (ANS) of Prince Norodom Sihanouk, who had governed Cambodia for 30 years until 1970. All three armies trained and housed their forces, with families, on Cambodian soil with little opposition from Vietnam. Perplexed observers searched for a sophisticated explanation for Vietnam's failure to attack these obvious targets.

By 1982, the Vietnamese realized their limited defense strategy was not working. That year the resistance broke out of the border region. The Khmer Rouge came down from their hilltop camps in western Cambodia and began moving onto the plains. They mounted successful sabotage missions in northwestern Cambodia and by year's end they had convinced the Vietnamese that they intended to destroy Vietnam's hold on Cambodia.

The Vietnamese changed strategy and in January, 1983, they fought back and attacked the resistance camps for four months. It was Vietnam's first major offensive against the resistance since capturing Cambodia, and it was thorough. The Vietnamese army broke the taboo against civilian targets and hit the settlements of families as well as the military. Some 50,000 Cambodian civilians fled to temporary asylum in Thailand. The Vietnamese also crossed the border into Thailand in "hot pursuit" of resistance troops. Once inside Thai territory, the Vietnamese did not hesitate to engage Thai troops if necessary.

This offensive damaged the resistance base camps and prompted the Khmer Rouge, at least, to concentrate their troops in the interior. During that year's rainy season the Khmer Rouge, as well as a few non-Communist units, ran sabotage missions inside Cambodia, striking at Vietnamese military supply lines, shutting down roads and creating pervasive unrest in the northwest.

The Vietnamese answered with a second large-scale offensive in early 1984. Again, the Vietnamese struck civilian encampments, concentrating on the KPNLF, crossed the Thai border and fought Thai troops. Again, the resistance camps were damaged but not destroyed. Now the entire resistance was forced to begin adopting guerrilla strategies. The non-Communists joined the Khmer Rouge, albeit with fewer units, in sending guerrillas inside Cambodia. However, there was little coordination; the three factions mounted separate operations. By year's end guerrilla activity was reported in most sections of the country.

In two years, the border war had become a war of

²There are no precise figures on the number of Cambodians killed as a result of the Khmer Rouge revolution. Experts themselves differ dramatically, arguing that the deaths range from one million to two million.

³See William Shawcross, *The Quality of Mercy: Cambodia, Holocaust and Modern Conscience* (New York: Simon and Schuster, 1984), and Michael Vickery, *Cambodia 1975-1982* (Boston: South End Press, 1983) for details about the border during this period.

⁴See Elizabeth Becker, *When the War Was Over: Voices of Cambodia's Revolution and Its People* (New York: Simon and Schuster, 1986), pp. 439-440, for a description of the crucial role the United States played in setting up support for the deposed government of Democratic Kampuchea.

resistance. In July, 1984, the Phnom Penh government admitted that the resistance had become a serious threat. Foreign Minister Hun Sen said the attacks during the first part of the year had made the country "generally tense."⁵ One month later, Defense Minister Bou Thong reported that nearly 8,000 resistance guerrillas had been killed in that year's fighting. As the *Far Eastern Economic Review* noted, even if this figure is exaggerated, it is stunning that the puppet rulers would admit there were that many Cambodians fighting against them. Moreover, Bou Thong said the resistance might be strong enough to capture a provincial capital.

At this junction, the Vietnamese had hoped that PRK armed forces could step in and fight alongside Vietnam's troops, helping to take the sting out of resistance appeals to evict the foreign occupation troops. But the PRK army proved ineffective and torn by divided loyalties. In numerous instances, the PRK troops refused to fight their countrymen.

The Vietnamese had already begun holding highly publicized withdrawals of their own troops from the Cambodian battlefield to prove their good intentions. But these withdrawals were largely for show. Cambodia's security problems were too serious to be entrusted to the PRK.

Instead, at the advent of the next dry season, the Vietnamese army went for broke. From December, 1984, to March, 1985, it systematically wiped out every resistance base camp, at heavy loss of life for its own soldiers. First it destroyed KPNLF camps, then Khmer Rouge bases (deserted by the time the Vietnamese arrived) and, finally, Sihanouk's camps. The 200,000 civilian survivors fled across the border into Thailand where they remain, regarded as "illegal" Cambodian refugees, living dangerously close to the border in settlements outside international protection.

After destroying the camps, the Vietnamese tried to seal off the border. Tens of thousands of Cambodians were drafted into labor gangs to accomplish the task. They were sent to western Cambodia to fortify the no-man's land on the border by digging ditches, spiking them with bamboo spears, laying mines and clearing scrub brush. (Many workers caught a fierce strain of malaria unknown in most parts of the country; PRK officials expressed open criticism of this Vietnamese program.) The Maginot Line of Cambodia had been drawn.

From all appearances, the Vietnamese had dealt the resistance a decisive blow. The non-Communists, still new to guerrilla warfare, nearly disappeared during that year's wet season. The larger non-Communist

force, Son Sann's KPNLF, broke in two when a trio of Young Turks declared themselves the new leaders. Within a year, Son Sann had reasserted himself, but his armed forces were in disarray and had even fallen behind Sihanouk's army.

Somehow, the resistance, even the KPNLF, recovered and revived. In 1986, battalion-size Khmer Rouge units attacked as far away as southeastern Prey Veng and Svay Rieng provinces. Khmer Rouge units seemed to be fighting in every part of the country: Tonle Sap Lake in the northwest, the rubber plantations in the east, and around Phnom Penh itself.

But the Khmer Rouge were not alone in the interior. Sihanouk's army proved surprisingly adept at guerrilla warfare and even the KPNLF, badly shaken by its political problems, mounted its own small guerrilla missions. Robert Karniol, a Canadian journalist, spent three weeks with a KPNLF unit on a mission inside Cambodia last September. He reported that these soldiers, as well as what he could see of the other resistance factions, were "operating effectively within Cambodia."⁶

And Karniol confirmed one of the more startling changes resulting from the Vietnamese destruction of resistance base camps—the three factions are now cooperating on the battlefield. The agreement was brokered by the Chinese, who would like to see the resistance factions grow indistinguishable in order to disguise the dominance of the Khmer Rouge. This represents a major turnabout for the resistance. Only two years ago, Khmer Rouge troops were killing non-Communist resistance soldiers. Now the three factions have begun mounting a few joint operations. Since the Vietnamese forced them to become guerrillas, they are behaving far more like allies on the battlefield.

For the moment, the non-Communists appear to have put aside the profound moral question of fighting with the Khmer Rouge. Defeating the Vietnamese seems to have overshadowed that dilemma, and not only for the armies. Significant numbers of villagers and farmers who could easily betray the resistance armies as they travel around Cambodia have apparently not done so. Some cooperate with the resistance, even with the Khmer Rouge, who are said to pay handsomely for food and discretion. Who knows what this says about the "hearts and minds" of rural Cambodia?

On paper, the military balance overwhelmingly favors Vietnam. According to very rough United States State Department estimates, the Vietnamese have 140,000 troops stationed in Cambodia, and the army of the People's Republic of Kampuchea numbers at least 40,000. The Khmer Rouge can count some 30,000 guerrillas fighting inside Cambodia; the ANS has 7,000 soldiers inside the country; and the KPNLF has some 3,000 guerrillas.

But the army of the People's Republic remains weak.

⁵"Cambodia," in *Asia 1985 Yearbook* (Hong Kong: Far Eastern Economic Review, 1985), p. 130.

⁶Robert Karniol, "The Vietnamese Gauntlet," *Far Eastern Economic Review*, October 23, 1986, p. 22.

The Vietnamese general in charge in Cambodia publicly warned Phnom Penh in late 1985 that Kampuchea's army had to assume far greater responsibility for winning the war. To that end, the PRK last year extended compulsory military duty from three to five years, organized a People's Defense Force to guard Phnom Penh and established village militia teams to patrol the countryside. So far, the stalemate has led to a quiet dry season in 1987.

THE POLITICAL WAR

Since 1979, the Vietnamese have prevented a strong leadership from emerging in the People's Republic of Kampuchea. Head of State Heng Samrin, a former army officer in Pol Pot's Democratic Kampuchea, has become something of a figurehead. Pen Sovan, the former Prime Minister and head of the Communist party, was removed from power in 1981.

Just as the PRK appeared to be developing a stable leadership, there was a major Cabinet reshuffle in December, 1986, in which three of the most prominent officials lost significant portfolios: Bou Thang lost his post as defense minister, Chea Soth lost the crucial Planning Ministry, and Hun Sen gave up his post as foreign minister although he remains Prime Minister.

The three ministry positions were filled by the former deputy ministers. The replacements are more bureaucrats than revolutionaries, men who are virtually unknown in the country and with practically no experience in developing nationalism.

The changes were made at a time when the regime's corruption and wavering commitment were becoming more apparent to outside observers.⁷ Vietnam's response has been to adopt oppressive tactics to stamp out the resistance, which it fears is making inroads in the PRK government.

The Vietnamese openly purged suspected "traitors" in the summer of 1983. Then they ordered a purge of 300 provincial-level bureaucrats in the north-western province of Siem Reap. These PRK officials were suspected of betraying the regime to the resistance.

Concurrently, the Vietnamese have instituted a system of imprisonment and torture to remove suspected political dissidents or secret resistance sympathizers from the community. Both Amnesty International and the Lawyers Committee for International Human Rights have published reports of these abuses during the past two years.

In its 250-page report, *Kampuchea: After the Worst*, the Lawyers Committee said thousands of Cambodians have been imprisoned without charge or due

process for political offenses.⁸ Many of these people were tortured and most have undergone severe deprivation during their imprisonment.

The report revealed that most people accused of political crimes were specifically charged with aiding the resistance. It cited the official decree prescribing 20-year prison sentences or execution for people found guilty of the undefined crime of "treason against the revolution."

In fact, the Vietnamese do not seem to be encouraging a revolutionary Cambodia. Their explicit goal is the incorporation of Cambodia into a Communist Indochinese bloc, an aim they have pursued since gaining power. In February, 1979, while their troops were still fighting the Khmer Rouge in western Cambodia, the Vietnamese signed a 25-year "peace and friendship treaty" with the Phnom Penh regime they had brought to power.

That treaty legalized the presence of the Vietnamese army in Cambodia (until then the Vietnamese had denied that they had invaded the country or deposed Democratic Kampuchea); it became the cornerstone of a web of treaties tying Cambodia to the bloc. Treaties covering political, military, economic, trade, transportation and communication matters and joint borders followed, nearly all in Vietnam's favor. In early 1983, the Vietnamese convened an Indochinese summit meeting with the Cambodian and Lao regimes and formalized "Indochinese Solidarity."

They created a ministerial-level position in their government to coordinate Indochinese relations with Hanoi's satellite states of Laos and Cambodia. Vietnam maintains armed forces in Laos that are larger than the entire Lao army and an occupation force in Cambodia that is triple the size of the PRK army.

This "Indochinese Solidarity" is evident in the daily life of Cambodia and gives impetus to the resistance. Ho Chi Minh's portrait is prominently displayed in government offices; a monument to the fallen internationalist Vietnamese combatants was erected in the capital next to Cambodia's civilian "monument of the dead." Reporters have noticed increasingly open Cambodian hostility toward the continuing Vietnamese presence.⁹

Given this state of affairs, it is more than ironic that the resistance is dominated by the Khmer Rouge. Instead of facing imprisonment, trial and punishment for their crimes, all Khmer Rouge officials are free today, fighting on both sides. China and the West

(Continued on page 186)

⁷Nick Cumming-Bruce, "Proposals to the Prince," *Far Eastern Economic Review*, December 25, 1986, p. 14.

⁸Lawyers Committee for International Human Rights, *Kampuchea: After the Worst* (New York, August, 1985), p. 11.

⁹Murray Hiebert, "Cambodia: Guerrilla Attacks Curb Development," *Indochina Issues*, September, 1986.

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"In its first year, the Aquino government replaced a failing and corrupt dictatorship with a minimum of bloodshed. . . . But it will take many years of sustained economic and social reform to overcome the poverty and redress the grievances of the Marcos era."

The Philippines: Aquino's First Year

BY DAVID A. ROSENBERG

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AFTER a decade of economic deterioration, growing rebellion and declining government legitimacy, Philippine prospects were greatly improved in 1986. A broad-based reformist movement forced President Ferdinand Marcos into exile and propelled Corazon Aquino and her "people power" coalition into a new government after the fraudulent elections and civil disobedience campaign of February, 1986. Aquino has pursued a policy of economic recovery, government reform and reconciliation with Communist guerrillas and secessionist Muslims, despite some contrary views in her Cabinet and the military, and hostile and sometimes violent objections from left-wing militants and leftover Marcos loyalists.

In its first year, the Aquino government has averted civil war; it has slowed the country's economic decline; it has received a substantial infusion of emergency foreign aid and debt repayment concessions; it has written and ratified a new constitution; and it has restored the faith and pride of many Filipinos in their country. All this, however, only gives the country a brief respite to plan and implement comprehensive, long-term solutions to revitalize the economy and to reform and retrain the civilian and military bureaucracies.

The persistent problem of the Philippine economy is familiar to developing countries pursuing an export-led growth strategy. Import costs have increased significantly since the 1970's, especially oil prices. By the start of the 1980's, a major recession in the industrial countries and a decline in world trade had decreased demand for Philippine exports. The result was a steady increase in the balance of payments deficit. Rising interest rates and new protectionist policies in industrial countries exacerbated a major debt crisis.

These external problems were compounded by financial mismanagement and corruption. The full extent of the plunder of national resources has yet to be calculated, but real gross national product fell by 5.5 percent in 1984 and by an estimated 5 percent in 1985. Industrial capacity was underutilized by 50 percent. Filipino capital flight abroad was estimated at between \$15 billion and \$25 billion. Total foreign debt

for the country in 1987 is estimated at \$27.8 billion.

This economic contraction added to the country's high unemployment, declining real wages, widespread malnutrition and high infant mortality rates. The Philippines still has one of the most unequal distributions of national income in Asia. In 1986, the first update in ten years of the government's family income and expenditure study showed that three-fifths of all Filipino families live below a poverty level of about \$120 per month.¹

In order to redress these problems, the Aquino government is trying to regain the confidence of the domestic and international business community, which was badly shaken by the "crony capitalism" of the Marcos years. Aquino must reverse the trend of declining savings rates, bank deposit withdrawals, capital flight and the high number of bankruptcies and mergers. The government must attract the return of the many Filipinos, in particular skilled workers and professionals, who left the country during the Marcos years to seek better opportunities abroad.

The National Economic Development Agency (NEDA) has prepared an *Agenda for a People-Powered Development*, which details policies to increase jobs, incomes and productivity in the rural sector by public spending on schools, irrigation, water supply, small ports, agro-forestation and rural roads. A \$200-million program of road-building and housing construction to create up to 1 million new jobs will be started in 1987.

Some of the economic policies of Finance Minister Jaime Ongpin and Central Bank governor Jose Fernandez are similar to those of Cesar Virata, the Prime Minister and finance minister under Marcos. These include keeping the peso stable; keeping inflation under control; and keeping interest rates down. But Ongpin and Fernandez have removed export taxes on agricultural products and have dismantled the trade monopolies and price supports for rice and corn. The government plans to sell 163 state-owned companies—including banks, coconut-oil mills, hotels, food manufacturing companies and trading companies—to raise about \$7 billion over the next few years.

Ongpin and Fernandez have also observed the guidelines of International Monetary Fund (IMF)

¹James Clad, "Which Way Is Up?" *Far Eastern Economic Review* (hereafter *FEER*), November 6, 1986.

conditionality: liberalizing trade; privatizing government corporations and development banks; and raising taxes to increase government revenues. There is now little talk of repudiating the foreign debt or limiting debt repayment to a fixed proportion of export earnings, although NEDA director general Solita Monsod has proposed both, perhaps as pressure tactics in bank negotiations.

Aquino has managed to "slow down the slowdown" of the economy; it is now poised for a takeoff. Key industries are beginning to increase production. After a 7.6 percent decline in 1985, manufacturing activity increased by an estimated 1.2 percent in 1986, and after a decline of about 4 percent in 1985, gross national output increased by an estimated 0.2 percent in 1986. For 1987, the independent Center for Research and Communication predicted an increase of 6.3 percent in consumer goods production and an increase of 11.2 percent in capital goods industries. The government expects an increase of 6 percent in overall economic growth in 1987.²

A land reform policy, however, was not formulated in 1986 except for a general statement of goals in the new constitution. The Aquino government appears reluctant to formulate any specific land reform agenda; it is trying to avoid arousing the fears of potential investors in the rural areas. Many in the business sector are suspicious of a possible land redistribution by the 1987 national legislature. They are also wary of the implications of a government agreement with the rebels. As a result, there has been little new private investment in farm improvements or other rural areas. Nevertheless, massive public and private investment in agriculture and industry is essential for rural development, especially in the economically depressed sugar-producing regions of Negros and Panay Islands and northern Mindanao, where the New People's Army (NPA) and the Communist party of the Philippines (CPP) continue to be active.

LABOR UNREST

Labor policy is another difficult challenge. Almost 3 million workers out of a total labor force of 21 million became unemployed during the economic contractions of the last three Marcos years. Another 5 million are underemployed. For workers with jobs, real wages declined by 6 percent from 1983 to 1986. This led to the rapid growth of militant labor movements like the May First Movement (Kilusang Mayo Uno, or KMU). Founded in 1980, KMU now claims to have more than half a million members, making it the largest labor organization in the country. Its strength is concentrated in Metro-Manila, where most of the country's industrial capacity is located. In 1986, KMU called a record number of strikes. Its goals are

to organize political and economic power for workers; it uses strikes and demonstrations to achieve higher minimum wages, better working conditions, and collective bargaining agreements with management in industry and government.

Although initially KMU maintained "critical and principled support" of the Aquino government, it gradually withdrew its support during 1986. One key development in KMU's reorientation was the resignation of Labor Minister Augusto Sanchez, a former human rights and labor rights lawyer, who was criticized by many businessmen for not effectively stopping the wave of strikes. Another key development was the assassination of Rolando Olalia, the charismatic leader of KMU, on November 12. In mourning and protest, almost 250,000 marchers carrying red flags and chanting revolutionary slogans joined a massive funeral procession for Olalia. This was the largest leftist demonstration ever held in Manila. By the end of the year, KMU had declared its opposition to ratification of the February 2 draft constitution because it represented "an irreversible drift to the right," not "the interests and demands of workers."

GOVERNMENT REORGANIZATION

Marcos changed the institutions of Philippine government to centralize and personalize his control over the country's main sources of power and wealth.

The first electoral test of the Aquino government was the constitutional plebiscite on February 2, 1987. The government had been in legal limbo after Aquino scrapped the 1973 Marcos charter in March, 1986, and replaced it with her own temporary "freedom constitution." The new constitution reflects Aquino's centrist views and emphasizes the protection of human rights and safeguards against presidential abuses. It limits the presidency to one six-year term and makes Aquino President until June 20, 1992.

A 24-member Senate and a 250-member lower house have the right to overrule any presidential declaration of martial law. The constitution allows United States military bases to remain until the current agreement expires in 1991, and it makes any extension of that agreement contingent on approval by the Senate, which could also call for a nationwide vote on the issue. Another article prohibits the use and storage of nuclear weapons in the Philippines unless it is in the national interest for temporary and exceptional reasons. The new constitution also bans abortion, abolishes the death penalty, calls for massive land reform, demands equality of the sexes, and restores dozens of freedoms taken away during Marcos's rule.

Aquino campaigned for the constitution but several groups opposed her. The CPP denounced it because "it leaves unchallenged the rule of United States imperialism." KMU opposed it because it did not go far enough in mandating land reform or removing

²Jose Galang, "Some New Year Cheer," *FEER*, January 15, 1987.

links between the national economy and "United States imperialism." On the right, the constitution was opposed by former Defense Minister Juan Ponce Enrile and Marcos's supporters.

In the two weeks before the constitutional referendum, there were numerous violent events threatening to undermine it. Muslim secessionist groups launched attacks against government forces throughout Mindanao. In Manila, government soldiers fired on a surging crowd of land reform demonstrators at the presidential palace, killing 18. Peace talks between the government and the Communists collapsed. And right-wing troops attempted a coup with Marcos's support. The attempt—the third in Aquino's first year in office—was put down after the United States prevented Marcos from leaving Honolulu and after Chief of Staff Fidel Ramos persuaded the dissident soldiers to surrender.

Despite the preelection violence, an unprecedented number of voters turned out on February 2 to give overwhelming approval to the new constitution. The turnout was estimated at over 80 percent; the vote in favor of a draft constitution was estimated at nearly 80 percent. There was no violence on election day. For the first time in 20 years, the country had an honest and peaceful election.

With shrill and militant opposition from the left and right, it remains to be seen whether the popularity and program of the centrist Aquino government can survive intact after the national legislature elections on May 11, and the local and regional elections on August 24.

CENTRALIZATION

One of the major problems inherited by the Aquino government is the extremely centralized system of control exercised by Manila authorities over local governments and the rural economy. In theory, every governor and mayor needs Manila's permission even to come to the capital. Even small expenditures and employee hiring must first be approved in Manila. Marcos further fragmented local authority and rewarded the faithful by increasing the number of provinces from 54 in 1965 to 74 in 1986.

At the outset, the Aquino government was confronted with thousands of local mayors, provincial governors and local board members who took office during the Marcos years. Aquino authorized her minister of local government, Aquilino Pimentel, to replace these local officials with "officers in charge," OIC's, who were given temporary appointments until local elections could be held. Without electoral legitimacy,

local autonomy or revenue-raising authority, OIC's could do little to deal with the enormous problems they faced. Pimentel, a longtime associate of Aquino and her late husband, quickly became the most controversial member of the new government as he began wholesale firings in an effort to purge the country of Marcos's influence. He was criticized for attempting to build a personal power base in his own party, for naming corrupt and incompetent officials, and for removing honest and competent ones. As criticism mounted, Aquino replaced Pimentel with Jaime Ferrer, a business executive and former opposition politician.

Many officials in the Aquino Cabinet have called for "more provincial control," "regional autonomy," or even "local self-determination." According to Dodoy Villareal, governor of Capiz, "the only solution to the insurgency and poverty is local autonomy."³ The new constitution grants more powers to the 74 provinces and 60 large towns of the Philippines. But the President still exercises broad controls and supervision over all local governments. Regional development and rural industry plans are made in Manila, not in the provinces. The long-term trend toward the centralization of power in the Philippines still has momentum. Fears remain strong that decentralization of control will lead to more separatism, especially in the southern provinces.

REBELLION AND RECONCILIATION

Two major groups have taken up arms against the central government in Manila. Muslim rebels in the southern Philippines formed the Moro National Liberation Front (MNLF) in 1969 under the leadership of Nur Misuari, a Tausug Muslim and a graduate in Asian studies at the University of the Philippines. After several years of hostilities and thousands of fatalities, a cease-fire was arranged with diplomatic pressure from some Arab League nations. With much of its leadership in exile or divided over strategy, the MNLF rebellion subsided.

The Aquino government sent representatives to Jidda, Saudi Arabia, to meet with Nur Misuari, who has recently dropped his demand for a separate state. The new constitution allows greater autonomy for the southern Muslim region of the country. However, it is still uncertain whether the autonomy provided in the constitution will be accepted by the southern Muslims. At least one rebel Muslim faction excluded from the peace talks, the Moro Islamic Liberation Front headed by Hashim Salamat, vowed to continue its attacks on the government.⁴

The other major armed insurgency in the Philippines began on December 26, 1968, when Jose Maria Sison and a dozen other young revolutionaries met in Pangasinan at a "Congress of Reestablishment" to form a new Communist party of the Philippines after

³Quoted in James Clad, "Power to the Provinces?" *FEER*, July 3, 1986.

⁴Seth Mydans, "Manila and Rebels Reach Agreement on Talks," *The New York Times*, January 7, 1986.

the decline of the Huk rebellion in the early 1950's.

Three months after the congress, Bernabe Buscayno (Commander Dante) and his remnant guerrilla force of 60 men and 30 rifles formed the New People's Army (NPA), the military arm of the Communist party of the Philippines, with a distinctly Philippine version of Maoist revolutionary theory. In brief, it calls for a nationalist, rural-based, protracted people's war carried out through highly self-sufficient and very decentralized guerrilla fronts combined with widespread political mobilization.

The insurgency reached crisis proportions after the assassination of opposition leader Benigno S. Aquino Jr. at Manila International Airport on August 21, 1983. From a total force of a few thousand armed guerrillas in 1980, the NPA has grown to probably more than 23,000 regulars and more part-time irregulars, and a popular support base of 1 million.⁵ In 1986, these forces were operating on as many as 60 fronts around the country, including occasional company-level (200-300 men) operations. The NPA reportedly has shadow governments in 10 to 15 percent of the country's villages, and there is some level of NPA activity in almost all the country's 73 provinces.⁶

The presidential election and Cory Aquino's "people power" revolution of February, 1986, caught the CPP unprepared. Party officials of the National Democratic Front (NDF), the political wing of the CPP, said the elections were "largely irrelevant" to the problems of the Philippines and that the rebels "do not have a policy of disruption of the elections."⁷ Instead, the NDF chose to boycott the election as it had the 1984 National Assembly elections. The only way to remove Marcos, the rebels argued, was through armed struggle.

Clearly, the Communists underestimated popular support for Aquino. Despite her enormously popular campaign for nonviolent civil disobedience, the left was unable or unwilling to support her effort to oust Marcos. Hence, the election not only forced Marcos out of power; it also split the previously combined moderate and radical anti-Marcos opposition into two separate political forces, one in power and the other in disarray.

To defuse the persistent insurgency, Aquino began by fulfilling her campaign pledges of political reconciliation. Her first proclamation was to abolish the government's power to detain people without charge, a practice that Marcos had used widely in purported cases of subversion, sedition and conspiracy.

Over 500 political prisoners were ordered released by the Aquino government, despite some objections from top military officials. Those who were released included CPP leader Jose Maria Sison and NPA leader Bernabe Buscayno. Both had been imprisoned for nearly ten years. While the official CPP is still illegal, Sison, Buscayno and other Filipinos have now organized a new legal leftist party, the Partido ng Bayan, or People's party, which has the support of the powerful KMU labor movement.

Negotiations with the government presented NDF leaders with a dilemma. The CPP believes in the basic idea of class struggle, but it also realizes it needs to form class alliances. How much should it compromise its ideals with the so-called "middle forces" in order to win power? How much should it compromise on land reform goals? So far, its land reform demands have been modest, usually limited to raising the share of the crop for tenant farmers or raising worker wages. Rarely is land confiscated outright.

The party has dealt with large and small landlords rather gently. Confiscation is used only if persuasion, protest and boycott fail. "We are not going to establish a Communist society quite yet. That is still several generations away," said Jaime Lanoy, party secretary for southeast Mindanao. "In the meantime, we will allow even anti-Communists to coexist."⁸

On December 10, 1986, a 60-day cease-fire began, ending over 17 years of hostilities between government forces and Communist guerrillas. Government and rebel representatives began negotiations over highly contentious issues, including the legalization and demilitarization of the CPP and the NPA, amnesty for the rebels, power-sharing by the CPP in the new Aquino government, a redistribution of the wealth and power concentrated during the Marcos years, and the status of United States bases in the Philippines. The guerrillas called off the negotiations in January after the killing of the 18 land reform demonstrators, and hostilities resumed on February 9, one day after the cease-fire expired.

The cease-fire talks at least had given the Aquino government a chance to win popular support and to organize a comprehensive counterinsurgency program. Aquino's Cabinet approved a \$50-million rebel rehabilitation program, but it was not implemented during the 60-day cease-fire. Critics said the cease-fire gave the Communists a strategic advantage.

Aquino's policy of reconciliation may have limited appeal, especially among the Catholic clergy, nuns
(Continued on page 184)

⁵Richard Kessler, "Manila Tremblings," *Christian Science Monitor*, January 6, 1987.

⁶Ibid.

⁷Seth Mydans, "Philippine Rebel Calls Vote Irrelevant," *The New York Times*, December 29, 1985.

⁸Clayton Jones, "Filipino Rebels' 'Class Dilemma,'" *Christian Science Monitor*, December 29, 1986.

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"The pessimists who held out little hope for Thailand at the beginning of the 1980's were wrong for two reasons. They were unable to foresee events that would ease some of Thailand's difficulties, and they underestimated Thai resourcefulness."

Thailand: Surviving the 1980's

BY ANSIL RAMSAY

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AT the beginning of the 1980's, many observers predicted a bleak decade for Thailand. The government confronted a growing insurgency, mounting economic difficulties and, after the Vietnamese invasion of Kampuchea in December, 1978, a hostile neighbor whose armed forces were more than four times the size of Thailand's. To make matters worse, Thai politics seemed to be trapped in a "vicious cycle" that led from one military coup d'état to another.¹

Thailand has confounded the predictions of the pessimists. The insurgency has collapsed; the economy continues to grow at a rate exceeding that in most other less developed countries; and the Vietnamese presence in Kampuchea has not been so economically or politically destabilizing as was once feared. Instead, Thailand has had considerable political continuity and there has been no successful military coup for nearly 10 years.

One of the most surprising aspects of recent Thai politics is that political change has occurred within a parliamentary framework instead of through military coups. Two recent events typify this change: a failed military coup attempt in September, 1985, and elections in July, 1986. The coup attempt was led by Colonel Manun Rupkhachon, one of the "Young Turk" colonels who staged a much more threatening coup in 1981, which also failed. This time Manun led a tiny force of only 22 tanks and 500 men. The attempt, which collapsed within 10 hours, embarrassed the government and resulted in the death of two American newsmen and several Thai; but Manun never came close to seizing power because he was unable to win widespread popular support or support from commanders of key military units in Bangkok. He attracted a few retired generals to coup headquarters, including former supreme commander and Prime Minister Kriangsak Chamanan, but they subsequently claimed they were forced to participate and are facing trial for their alleged role in the coup. The

coup makers attempted to gain public support by criticizing government economic policies, but they did not succeed.

A few months later, the government's economic policies did lead to its collapse, but the collapse was the result of parliamentary politics, not a coup. In early 1986, the governing coalition was based on four parties: the Social Action, Democrat, Thai Citizen, and National Democratic parties. The Social Action party (SAP), the largest in the coalition, had demanded control of several economic ministries. Instead of bringing political benefits, the ministries became political liabilities as economic growth slowed in 1985. The liabilities became greater as nonpartisan Finance Minister Sommai Huntrakun pursued austerity policies to cut budget and trade deficits, and businessmen grew increasingly critical of the government. SAP members believed the party was being blamed unfairly for the country's economic difficulties, which deepened when Khukrit Pramot, SAP's leader and one of Thailand's most respected political figures, resigned in December, 1985. Foreign Minister Sitthi Sawetsila became SAP's new leader, but the succession struggle exacerbated factionalism in the party. In May, 1986, in conjunction with members of opposition parties and with support from businessmen unhappy with the government's economic policies, dissident SAP members engineered the defeat of the government in a parliamentary vote. Prime Minister Prem Tinsulanon subsequently dissolved Parliament and scheduled new elections in July.

The elections were contested by several small, newly formed parties as well as by more established parties. One of the former was the Community Action party led by former Deputy Prime Minister and president of the Bangkok Bank, Bunchu Rotchanasathian. Another was the Ratsadon (People's) party, led by recently retired General Thienchai Sirisamphan. A number of former military officers ran for seats under the banners of several parties. Economic issues dominated the campaign, with emphasis on ways to stimulate faster economic growth and improve farmers' incomes. A record voter turnout of 61 percent gave the Democrat party the most seats, while the major loser was the badly divided Social Action party.

¹The "vicious cycle" is explained in Chai-anan Samudavanija, *The Thai Young Turks* (Singapore: Institute of Southeast Asian Studies, 1982), pp. 1-5. The best example of this pessimistic literature is William Bradley et al., *Thailand: Domino by Default?* (Athens: Ohio University Center for International Studies, 1978).

Prime Minister Prem does not belong to a political party and did not run for election, yet the former army commander in chief was once again selected as Prime Minister with the strong backing of the military and the monarchy. He has now served as Prime Minister since 1980, a record term in office. The most recent Cabinet, his fifth, consists of the Democrat, Social Action, Thai Nation, and People's parties.²

These events reveal much about Thai politics in the 1980's. They emphasize the frustrations of coup leaders, a functioning parliamentary framework, continuing military and royal influence in Thai politics, and the crucial role economic issues have come to play in evaluating government performance.

The failure of coups in 1981 and 1985 does not mean that there will be no more successful coups in Thailand, but the failures indicate that coups have become more difficult. Divisions within the military hamper its effectiveness. Its factional division in the early 1970's was a main reason why the student-led revolt of 1973 succeeded in overthrowing military rule. The military returned to power in 1976, but it never regained the dominance it had exerted in politics in earlier decades.

Social change has also made a coup more difficult. Economic development has produced a much larger and politically more influential business class, along with a substantial urban middle class and a small working class. Each has had reasons to resent military dominance, and in varying degrees each group supports current political arrangements. Economic development has also created a more complex economy. Managing it effectively requires skills that give businessmen and government technocrats advantages over military men.

The present arrangements, which were formalized in the 1978 constitution, provide mechanisms for balancing strategic groups in Thai politics. While they are not entirely satisfactory to any group, they are workable. The main institutional features are an elected House of Representatives, an appointed, military-dominated Senate, and a Prime Minister who must maintain majority support in the House but who does not have to belong to a political party or run for election. The main prizes are seats in the Cabinet; since 1983, when transitional clauses in the constitution expired, military officers and civil servants have been unable to become members of the Cabinet.

The House provides a forum for a number of political parties backed by business interests, middle class professionals, some former military men and a few wealthy farmers. The Senate provides a base of power

for military and civilian bureaucrats. As can be seen in the aftermath of the 1986 election, these two houses continue to play an extremely important role in selecting the Prime Minister. The arrangement allows greater participation in politics by business and middle class groups, who were largely excluded from real power in the 1950's and 1960's, while at the same time it assures continued power for the military, the civilian bureaucracy and the royal family.

Another important reason for the longevity of the present arrangements is the support they have received from King Phumiphon Adunyadet. The King has shifted from acting mainly as a symbol of the nation to acting as a referee who intervenes directly in politics at critical moments. This first became evident in 1973, when he intervened during the student rebellion to ease the transition to civilian power. The most spectacular example of the King's power came in 1981, when he sided with the government against the "Young Turks," thus insuring the failure of their coup attempt. He and other members of the royal family have intervened to support Prime Minister Prem several times under less dramatic circumstances. It is not clear how strongly the King is committed to the present political arrangements or whether his support is limited to Prem and a desire to maintain stability, but he has helped maintain the political rules of the game.

Prem has also played an important role. Criticized in some quarters for indecisiveness and aloofness from party politics, Prem has done an excellent job of balancing very disparate interests. Prem is widely respected for his personal integrity, his concern for national interests, and his reliance on an array of advisers ranging from military officers to academics.

Despite their surprising longevity, the present constitutional arrangements remain fragile. Coups may have become more difficult in Thailand, but under the leadership of General Chawalit Yongchaiyut the military has found a new rationale for continued military participation in politics. If successful, such participation would considerably diminish the role of political parties and the lower house. Chawalit is intelligent, politically sophisticated, and a close adviser to Prime Minister Prem. He is one of the main authors of the Prime Ministerial Order 66/2523, which stressed the importance of political as well as military action to defeat insurgency. This doctrine has been expanded to argue that the permanent defeat of the Communist party of Thailand (CPT) requires not just military defeat, but the removal of the economic, political and social conditions that give rise to revolution.

According to the Prime Minister's order, this cannot be done by dictatorial governments because such governments only strengthen the arguments of the CPT. It must be accomplished by a democratic government, but Thailand is not a democracy despite its elections. The elections do not give ordinary Thai

²The best weekly coverage of the collapse of the government and the election is that of the *Far Eastern Economic Review* (hereafter cited as *FEER*). See in particular John McBeth, "Political Crossroads," *FEER*, vol. 132, no. 25 (June 19, 1986), pp. 40-44.

political power. They are dominated by wealthy capitalists who use them for their own benefit, and this perpetuates poverty and injustice. The Prime Minister believes that a genuine democracy is one in which a government governs for the benefit of the people. The way to achieve "true" democracy in Thailand is to enhance the power of the appointed Senate, and to appoint Senators who represent the best interests of the country.

This argument has merit from the military's point of view. It gives the military a rationale for continued participation in politics, strengthens the Senate (in which military men are the overwhelming majority), and emphasizes the flaws of political parties and the elected House. Thus far these ideas have not been put into effect. The most serious attempt occurred in 1983, when a number of high-ranking officers attempted to pass three constitutional amendments that would have accomplished some of these goals. The attempt failed.³

In addition to these ideas, General Chawalit has worked to build a more unified military. His major contender in the struggle for power has been General Athit Kamlang-ek. General Athit first rose to national prominence by helping defeat the Young Turk coup in 1981. He gained royal favor and quickly rose to become commander in chief of the army. By 1985, he seemed to be Prem's probable successor as Prime Minister, but he was defeated by his own impulsiveness and the superior political skills of Prem and Chawalit. The turning point was November, 1984, when Athit went on television to condemn the government's recent decision to devalue the baht. He was furious because he had not been consulted and because the devaluation would greatly increase the cost of military equipment imported from the United States. He demanded a change in policy and a Cabinet reshuffle. The speech was a disaster. Important military men failed to support him, and Prem, with the backing of the King, refused to reshuffle his Cabinet.

Relations between Prem and Athit deteriorated and reached their nadir in May, 1986, when Prem dismissed him as commander in chief. He was replaced as commander in chief by General Chawalit, and Chawalit now appears to be Prem's likely successor as Prime Minister. In the annual military promotions in 1986 he strengthened his hold on the army by plac-

³These points are covered in greater detail by Ansil Ramsay, "Thai Domestic Politics and Foreign Policy," in Karl D. Jackson, Sukhumbhand Paribatra and J. Soedjati Djiwandono, eds., *ASEAN in Regional and Global Context* (Berkeley: Institute of East Asian Studies, 1986), pp. 30-51. See also Suchit Bunbongkarn and Sukhumbhand Paribatra, "Thai Politics and Foreign Policy in the 1980s: Plus Ça Change, Plus C'est la Même Chose?" in *ibid.*, pp. 52-76.

⁴*Thailand: Toward a Development Strategy of Full Participation* (Washington, D.C.: The World Bank, 1978), p. i. Poverty data are from Oey Astra Meesook, *Income, Consumption and Poverty in Thailand, 1962/3 to 1975/6* (Washington, D.C.: The World Bank, 1979), pp. 49-53.

ing in key positions some of his closest supporters.

A second source of fragility in the present political arrangements is the fragmentation of political parties. This contributed to the collapse of the government in May, 1986, and is a problem in the new Cabinet. Disgruntled Democrat party members have been extremely critical of their leader, Phichai Rattakun, for his handling of negotiations for Cabinet seats and for monopolizing power in the party. Wira Musikaphong, the Democrat secretary general who was appointed deputy interior minister after the election, was charged with lèse majesté for comments he made during the election campaign, and he has resigned from the Cabinet. There is also conflict among the coalition parties. Surat Osathanukhro, the commerce minister and deputy leader of the Social Action party, quickly got into trouble by changing past practice that forbade the importation of logs from Burma and by allowing companies to ship logs into Thailand. The opposition charged him with irregularities in the decision and initiated a no-confidence vote against him. Although he won, the Democrats abstained on the vote, outraging SAP. In the aftermath of the affair, Surat eventually resigned. The net effect of these developments was to undermine public support for Parliament and politicians and to confirm the military's portrayal of them. Whether this is likely to have a seriously destabilizing effect or not depends largely on economic performance over the next few years.

THE ECONOMY

From 1960 to 1977, Thailand's economy was one of the fastest growing in the world. Gross domestic product (GDP) growth averaged 7.6 percent per year and was accompanied by rapid diversification of crops, a bigger role for industry, and the expansion of agricultural and industrial exports. The benefits of growth were widespread and the proportion of persons living below the official poverty line fell from 57 percent in 1962 to 33 percent in 1975.⁴

Thailand has continued to enjoy strong growth in the 1980's in comparison with other less developed countries, but its growth slowed to 4 percent in 1985 and 3.8 percent in 1986. Falling prices for Thailand's major exports have accounted for much of the slowdown. Thailand is far more open to influences from the international economy than it was a few decades ago. In 1960, the ratio of import-export value to nominal GNP was 34 percent. In 1980, the ratio was 49 percent. This increasing openness contributed to growth in the 1960's and 1970's but it leaves Thailand vulnerable to adverse trends. While world prices have fallen for several of Thailand's major commodity exports, Thailand has also faced high import costs, especially for intermediate and capital goods. Thailand's foreign borrowing has increased rapidly, and its total gross external liabilities as a percentage of

exports grew from 96.6 percent in 1980 to 146.4 percent in 1984. As economic growth slowed, tax revenues failed to keep up with expenditures and budget deficits increased. The budget deficit in 1986 was expected to set a record.⁵

The government has taken several steps to address these difficulties. Government budgets were tightened and the budget for fiscal 1986 actually represented a decrease in real spending in comparison with the fiscal budget. The government also pruned the expensive Eastern Seaboard Development Program. The program originally called for a fertilizer plant, a petrochemical plant, road and railway improvements, and the construction of two deep-sea ports. Only one deep-sea port, at Laem Chabang, has been approved. And in an attempt to increase exports and reduce imports, the baht was devalued against the dollar by 14.8 percent in November, 1984. Finally, the government has made major efforts to decrease Thailand's dependence on imported oil by developing its own fuel resources, particularly natural gas.

These policies, coupled with substantial declines in world oil prices, have begun to have the desired results. Thailand's inflation rate dropped from 19.7 percent in 1980 to only 2.1 percent in 1986. The trade deficit dropped from a record \$3.9 billion in 1983 to an estimated \$1 billion in 1986. As the policies have become effective, the government has eased its austerity measures to pacify businessmen who have been extremely critical. In 1986, the government introduced a new tax package that reduced personal income and corporate taxes. It also passed along some of the savings in oil price reductions to consumers and cut interest rates to encourage more business borrowing and investment. The able but politically unpopular finance minister, Sommai Huntrakun, was dropped from the new Cabinet and replaced by his deputy, Suthi Singaen. Suthi will follow many of the same policies, perhaps with somewhat more flexibility.

Thailand's fiscal emphases will still be stability and caution. This is largely because of continuing government fiscal restraints. The new sixth five year plan

⁵Data on the openness of the economy are from Akira Suehiro, *Capital Accumulation and Industrial Development in Thailand* (Bangkok: Chulalongkorn University Social Research Institute, 1985), p. 5-5. Data on foreign debt are from *World Debt Tables: External Debts of Developing Countries*. (Washington, D.C.: The World Bank, 1986), p. 53. These data differ from source to source, but the general trend is clear. The budget estimate is from Viraphong Vachratith, "Budget 1987," *Bangkok Bank Monthly Review*, vol. 27, no. 11 (November, 1986), p. 467.

⁶Paisal Sricharatchanya, "The Best-Laid Plans," *FEER*, vol. 134, no. 41 (October 9, 1986), pp. 67-69.

⁷Kamolluck Tosakul, "Unemployment: A Problem for Today and Tomorrow," *Bangkok Bank Monthly Review*, vol. 27, no. 9 (September, 1986), pp. 376-382.

⁸Eric Teo Chu Cheow, "New Omnidirectional Overtures in Thai Foreign Policy," *Asian Survey*, vol. 26, no. 7 (July, 1986), pp. 745-758.

(1986-1991) explicitly limits the government's role to supporting and promoting private sector growth; the private sector is expected to provide the major engine of growth over the next five years.⁶

Thailand has had considerable success in comparison with many other countries, yet a number of problems remain. One is low income for farmers. Another is landlessness, which is likely to increase with the disappearance of unoccupied arable land. This is particularly troubling because urban areas are not able to absorb these individuals. Unemployment data must be treated carefully, but there is little question that unemployment is increasing and that there is no easy way to reduce it. National Statistical Office figures suggest that approximately 1.7 million workers in a work force of 27 million were unemployed in 1985, and the figure was projected to reach 2 million in 1986.⁷ Finally, Thailand remains vulnerable to oil price increases and protectionism in major export markets. These problems have become issues of foreign as well as domestic policy.

FOREIGN POLICY

Foreign Minister Sitthi Sawetsila has made "omnidirectionality" the main theme of Thailand's foreign policy since early 1985. The term signifies a shift of focus from regional crises and security issues to wider involvement in world affairs and an effort to use foreign policy to enhance Thailand's economic and social development. The theme can be seen in Thailand's membership in the United Nations Security Council since 1985, and in Sitthi's extensive travels in the Middle East, West Europe, East Europe and Asia as well as the United States.⁸

Within the context of omnidirectional foreign policy, two issues have dominated. The first is the Vietnamese occupation of Kampuchea. Thailand adjusted fairly quickly to the Vietnamese presence. In one respect, the occupation considerably helped Thailand. The Vietnamese drove Communist insurgents out of sanctuaries in Laos and Cambodia and left them more vulnerable to Thai army attacks. Even more damaging was the Chinese denial of support to the Thai Communists in return for Thai cooperation against the Vietnamese. These setbacks for the CPT, coupled with Thai government policies under Prime Ministerial Order 66/2523, have decimated the insurgency. Its armed supporters dropped from approxi-

(Continued on page 183)

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In Malaysia, "the economy is not expanding, yet the political demands of ethnically mobilized constituencies are intensifying. . . . In these circumstances, the Mahathir regime has been resorting to coercive measures to stifle criticism and intimidate opponents."

The Politics of Ethnicity in Malaysia

BY GORDON P. MEANS

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DURING 1986, Prime Minister Datuk Seri Dr. Mahathir Mohamad entered his sixth year in office. Although he renewed his mandate with a decisive victory at the polls, Mahathir faces a faltering economy, a vocal opposition, and intensified ethnic conflict. The New Economic Policy (NEP), which was initiated in 1971, established an elaborate system of Malay and other Bumiputra* privileges and quotas in education, jobs and other economic benefits designed to raise the wealth and occupational status of the Bumiputra to assure 30 percent Malay ownership and participation in all industrial and commercial activities by 1990. Although this target is within reach in many sectors, the issue of the continuation or expansion of Malay ethnic privileges is extremely contentious. The economy is not expanding, yet the political demands of ethnically mobilized constituencies are intensifying in anticipation of a major policy review. The crisis in ethnic relations will come when the NEP policies are reviewed and new policies are devised for the post-1990 period. In these circumstances, the Mahathir regime has been resorting to coercive measures to stifle criticism and intimidate opponents. Increasingly, the processes of public policy making and evaluation have been centralized and cloaked in secrecy.

For three decades, Malaysia has experienced dramatic economic growth, with an average increase in per capita gross national product (GNP) of 6.5 percent between 1960 and 1970 and 7.9 percent between 1970 and 1978. This economic vitality has been led by petroleum and liquid natural gas exports, which together accounted for 29.6 percent of exports in 1985 and provide approximately 26 percent of all government revenues. Over the past decade, palm oil has expanded to 10.4 percent of exports, surpassing

Malaysia's traditional export commodities of rubber (7.5 percent) and tin (4.2 percent). Malaysia's New Economic Policy was funded in large part by the revenues from foreign oil sales.

The expanding economy provided the resources to cushion the ethnic conflicts and grievances that have plagued the country since its independence. These favorable circumstances began to change in 1984, when Malaysia felt the impact of the world economic recession. Oil prices dropped from US\$34 per barrel in 1982 to \$15 per barrel in 1986. The tin market also collapsed in 1984 when the International Tin Agreement (ITA) failed to sustain minimum prices. The price of tin fell from M\$30.15 per tonne in October, 1983, to a low of M\$14.12 per tonne in October, 1986. The drop in price has resulted in the closure of over half of Malaysia's tin mines. Similarly, rubber prices fell from M\$2.60 per kilogram (kg) in 1984 to below M\$1.80/kg in 1986; the International Rubber Agreement failed to protect a minimum price for that commodity. A similar fate befell palm oil, which had a price of M\$1,600 per tonne in April, 1984, but fell to less than M\$650 per tonne by November, 1985.¹ The government learned the hard way that commodity cartels provide little protection in the event of depressed world markets.

The drastic losses in foreign exchange resulted in a decline in real economic growth of 8.1 percent for 1986 and a drop in per capita GNP from M\$4,937 in 1984 to M\$4,327 in 1986. The lower earnings led to a rapid rise in external debt to over M\$50 billion and to severe debt repayment problems. In 1985, the public debt increased to M\$62.4 billion or about 86 percent of the nation's GNP.² In these circumstances, the government has had to devise policies to cut government expenditures, to attract greater foreign investment, and at the same time to manage escalating ethnic demands with fewer resources and benefits to distribute.

The cornerstone of government policy has been the New Economic Policy (NEP). Although it has been the basis for most economic and social policy since 1971, it has come under increasing scrutiny and criticism. Under its policy of Malay ethnic preferences, the system was expanded from the public services and education to private commercial and industrial enter-

*Editor's note: Bumiputra are the ethnic Malays and non-Malayan indigenous groups who make up a majority (54 percent) of Malaysia's population.

¹Bank Negara Malaysia, *Annual Report 1985* (Kuala Lumpur, 1986), pp. 165, 167; *Far Eastern Economic Review* (hereafter cited as *FEER*), December 18, 1986, p. 124, and October 27, 1986, p. 92; *Asia 1986 Yearbook* (Hong Kong: Far Eastern Economic Review, 1986), p. 190.

²*FEER*, January 15, 1987, p. 64; Bank Negara Malaysia, op. cit., pp. 2, 123.

prises. Government-funded quasi-public corporations were created as "trust agencies" that were designed to increase Malay participation in business and Malay ownership of share capital. However, too many of these Bumiputra trust agencies were inefficient and operated at a loss. Bumiputra financial institutions made too many unsecured loans with high default rates, and some became the victims of blatant corruption and fraud. The largest losses were incurred by Bumiputra Malaysia Finance (BMF), a subsidiary of Bank Bumiputra. BMF had invested heavily in Hong Kong property and lost US\$960 million in bad loans and fraudulent operations.³ To cover the losses, Bank Bumiputra was taken over by Petronas, the government-owned oil corporation. Many other enterprises encountered serious difficulties during the economic recession, leading to new credit controls.

As foreign investments dwindled, the government responded to the criticism of investors and United Nations consultants concerning the economic costs of the NEP. Finally, Mahathir stated that the NEP "will be held in abeyance, more or less, except in areas where there is growth."⁴ This policy shift, while viewed as temporary, was deemed necessary in order to attract foreign investment and to allow "market forces" to operate.

The "Look East" policy, which had been enunciated by Mahathir in 1982 as a means to increase Japanese and Korean investment, technology transfer and the work ethic, had resulted in rising investment but little in the way of high-technology transfers. Nor had the policy made much change in the Malaysian work ethic. As its prestige project, Mahathir's policy focused on the manufacture of the Proton Saga, the Malaysian-made automobile. The first vehicle was completed in September, 1985, and by mid-1986 arrangements had been made for sales in five Asian

countries. The car was manufactured by the government's Heavy Industries Corporation, in a joint venture with Japan's Mitsubishi. To support a mass consumption market, Mahathir announced that Malaysians should raise the country's annual population growth rate from its present 2.3 percent to 3.2 percent so that the population would increase from 15.7 million to 70 million by 2100.⁵ The proposal to increase birthrates appeared to be directed to the Malays, who already have higher birthrates than non-Malays.

Mahathir's much publicized "privatization policy" proposed to sell many government agencies and corporate bodies to the private sector. After the public sale of stock in the Malaysian Airlines System (MAS), that policy seemed to have been put on hold. The sale of shares in MAS left its management and control in the hands of government-appointed managers, so the enthusiasm of domestic investors has waned.

ISLAM

Tight government control is maintained over Islamic institutions, Muslim law and the definition of orthodox Islamic doctrine. The government wants to proscribe deviant Islamic sects and doctrines, which have been challenged by militant fundamentalists and by liberal "modern secularists." Increasingly, government policies are cloaked in an Islamic idiom. Malay leaders invoke Islam to justify public policy and to exhort the public on issues of morality and behavior. Official policy aims to "infuse Islamic values" into society, explaining "Islamic values" to non-Muslims for emulation, and enforcing these values more strictly in law and policy for Muslims.⁶ The incorporation of Islam into more aspects of public policy has meant that greater efforts have been placed on the suppression of various Islamic "deviations."

Issues of human rights have generated increasing domestic controversy and foreign criticism. Under the Internal Security Act (ISA) and the Essential (Security Cases) Regulations (ESCAR), the government has wide powers of summary arrest; many offenses are tried by a judge without a jury, and conviction leads to the mandatory death penalty. Previously, most of such convictions had to do with possession of arms or seditious activities. However, in 1984 the Dangerous Drugs Act provided a mandatory death sentence for drug traffickers. By 1986, 72 drug dealers had been hanged; 200 more are on death row. Two Australians who attempted to smuggle drugs out of the country were hanged after appeals for clemency from a number of foreign governments were rejected.⁷

FOREIGN RELATIONS

Because 1986 was an election year, much of the government's energy was devoted to domestic issues. However, Mahathir did visit China at the end of 1985,

³Kenneth James, "The Malaysian Economy, the Shadow of 1990," in *Southeast Asian Affairs 1986* (Singapore: Institute of Southeast Asian Studies, 1986), pp. 208-222; *FEER*, April 17, 1986, p. 127. Also see Gordon P. Means, "Ethnic Preference Policies in Malaysia," in Neil Nevitte and Charles H. Kennedy, eds., *Ethnic Preference and Public Policy in Developing States* (Boulder, Colo.: Lynne Rienner Publishers, 1986), pp. 95-118; and R. S. Milne, "Ethnic Aspects of Privatization in Malaysia," in *ibid.*, pp. 119-134.

⁴*FEER*, February 20, 1986, pp. 52-53, and June 12, 1986, pp. 17-18.

⁵*New Straits Times*, July 10, 1986, p. 6; *FEER*, July 25, 1985, pp. 32-33.

⁶See Diane K. Mauzy and R. S. Milne, "The Mahathir Administration: Discipline Through Islam," *Pacific Affairs*, vol. 56, no. 4 (Winter, 1983-1984), pp. 617-648; Gordon P. Means, "Public Policy Toward Religion in Malaysia," *Pacific Affairs*, vol. 51, no. 3 (Fall, 1978), pp. 384-405.

⁷*New Straits Times*, July 24, 1986, p. 1. Also see John A. Lent, "Human Rights in Malaysia: A 1986 Update" (Paper presented at the Association for Asian Studies, Chicago, Ill., March 22, 1986), and Amnesty International, *AI Index*, ASA 28-15-86 (December 17, 1986).

attempting to normalize relations and increase trade while also raising the difficult issue of China's sympathies for the outlawed Malayan Communist party. Earlier, at the Commonwealth meetings, Mahathir had taken a strong stand for economic sanctions against South Africa and had proposed the internationalization of the Antarctic. When the Commonwealth Games were held in Britain, Malaysia led a boycott as a protest against Britain's mild sanctions policy.

Two issues of border security have arisen, with the Philippines and with Thailand. Over the years, about 250,000 Muslims arrived in Sabah from the Philippines and Indonesia, most of them illegal immigrants. In October, 1985, there were some Filipino "pirate raids" in Sabah, and Malaysian troops chased the attackers back to Philippine territory. Near Thai boundary waters, the Malaysian navy arrested many Thai fishing boats for fishing in Malaysian waters. To avoid further conflict, agreements regarding piracy and territorial waters were finally reached between the governments involved.

THE 1986 ELECTIONS

Despite its problems, the Mahathir administration began preparations for a general election one year before its mandate expired in April, 1987.

Since Malayan independence in 1957, the dominant party in the ruling Barisan Nasional (BN) coalition has been the United Malay National Organization (UMNO). At the party's annual general assembly in September, 1985, Prime Minister Mahathir received the unanimous support of the delegates. Mahathir stressed the main theme of UMNO unity and a dedication to "the Malay struggle." Indirect warnings about involvement in politics by the Malay rulers hinted that the 1983 constitutional crisis over the role of the monarchy might still be simmering. Rumors of a rift between Mahathir and Deputy Prime Minister Musa Hitam were denied by both men. Yet five months later Musa Hitam suddenly resigned. Musa said he resigned because Mahathir had questioned his loyalty. He explained that he was tired of "money politics" and the abuse of power in UMNO. This may have been an oblique way of objecting to the growing influence of "money brokers" and the web of political patronage that was centralized in Mahathir's hands. Originally elected by a free vote of UMNO, Musa Hitam was viewed as having some independence from Mahathir. He had objected to the centralization of policy around a small kitchen cabinet composed of Finance Minister Daim Zainuddin, Agriculture Minister Anwar Ibrahim and Minister of National and Rural Development Sanusi Junid. Although press reports speculated that Musa Hitam might challenge Mahathir's leadership, he kept a low political profile.⁸

⁸K. Das, *The Musa Dilemma* (Kuala Lumpur: K. Das, 1986).

Mahathir appointed UMNO vice president Ghaffar Baba as the new Deputy Prime Minister and moved his protégé, Anwar Ibrahim, from the Agriculture to the Education ministry. Thus Mahathir further consolidated power in the hands of those who were dependent on him for political support.

In the Barisan Nasional, the political instability within the Malaysian Chinese Association (MCA) is a recurring problem. For several years, the MCA was split between two factions, one led by Neo Yee Pan and the other by Tan Koon Swan. The controversy involved political representation in the Cabinet and the BN councils and control of a large portfolio of investments operated by Multi-Purpose Holdings (MPH), a holding company that had been formed by Tan Koon Swan to channel the savings of MCA members into growth sectors of the economy and to increase the political-economic leverage of the Chinese in public affairs. The prolonged and bitter struggle involved complicated court litigation over "padded" membership lists and the expulsion of Tan Koon Swan and his supporters from the MCA. During the struggle, UMNO leaders had threatened the MCA with expulsion from the Barisan Nasional government, and both Musa Hitam and Mahathir made unsuccessful attempts to resolve the dispute. Finally, at the MCA general assembly in November, 1985, Tan Koon Swan and his faction were able to wrest control of the MCA from Neo's faction by a vote of 2,715 to 809.

Tan Koon Swan's decisive victory at the MCA general assembly appeared to stabilize the MCA as a viable partner in the BN coalition. However, it was not long before another controversy erupted over his involvement in shady and speculative stock market maneuvers as the managing director of MPH, which in turn controlled a network of allied companies in most sectors of the economy. With large numbers of Chinese in MCA holding MPH shares, any mismanagement or major losses would reflect on Tan Koon Swan's political leadership. Within a week of his election as MCA president, the Pan-Electric Company collapsed, unable to repay S\$75 million in credit (Tan Koon Swan held a controlling stake). Pan-Electric's stock was suspended and both the Singapore and Kuala Lumpur stock exchanges were closed for four days to prevent a domino effect of bankruptcies and to enable the government of Singapore to intervene to organize a rescue package. Apparently, too many investors had engaged in reckless "forward dealings." While in Singapore to deal with the Pan-Electric collapse, Tan Koon Swan was arrested and charged with criminal breach of trust. He pleaded guilty and was sentenced to two years' imprisonment and a fine of S\$500,000. As a result of his sentence, he resigned from the MCA, and the office of MCA president was assumed by deputy president Lim Liong Sik, who was minister of transport in the post-1986 election BN government.⁹

The storm surrounding Tan Koon Swan's business dealings certainly weakened the party during the 1986 campaign.

Gerakan Rakyat Malaysia (GRM), a member of the Barisan Nasional coalition, claimed to be a noncommunal party, but it contested the claim of the MCA to be the primary spokesman for Chinese interests in the Barisan Nasional coalition. The GRM, which held five seats in Parliament, has its political base in Penang, with its large Chinese constituency. In 1985, the GRM and the MCA held talks that explored the possibility of a merger between the two BN partners, but the extended leadership crisis in the MCA and old rivalries prevented it. As the 1986 elections approached, each party agreed to defend its traditional constituencies, which depended primarily on Chinese voters.

The Malaysian Indian Congress (MIC) represents the Indian ethnic component of Malaysia's population in the Barisan Nasional. The MIC has chafed at being so junior a partner as to be almost ignored. In a pattern similar to that of MCA's Multi-Purpose Holdings, the MIC formed Maika Holdings to promote Indian investment and to strengthen the economic power of the Indian community. MIC president Samy Vellu publicly criticized the New Economic Policy for not giving the Indians their fair share; this criticism violated the unwritten rule of the Barisan Nasional that member parties do not criticize the government publicly. Thereafter, Samy Vellu promised to "present the case in a more acceptable forum," meaning through Cabinet channels.¹⁰

THE OPPOSITION

Parti Islam Se Malaysia (PAS, formerly the Pan-Malayan Islamic party) was viewed by the government as its most dangerous opposition, primarily because both PAS and UMNO competed for the Malay vote and resorted to similar religious and ethnic appeals. PAS had a dedicated following in areas where Malay majorities were overwhelming, particularly in the eastern and northern Malay states of Kelantan, Trengganu, Kedah and Perlis. After years of PAS-UMNO contests for power in these states, PAS was admitted as a member of the BN coalition in the years between 1972 and 1977, but withdrew from the BN when PAS leader Datuk Asri bin Haji Muda was overthrown by a more militant faction led by Haji Yusof Rawa, who espoused a more uncompromising position on Islamic issues.

In the 1982 elections, PAS won five parliamentary

⁹Bruce Gale, *Politics and Business: A Study of Multi-Purpose Holdings Berhad* (Petaling Jaya: Eastern Universities Press, 1985); *FEER*, December 5, 1985, p. 100; January 30, 1986, p. 10; February 6, 1986, pp. 12-17; September 4, 1986, pp. 48-49; and September 11, 1986, pp. 21-23.

¹⁰*FEER*, July 11, 1985, pp. 27-28; August 1, 1985, p. 14.

¹¹Simon Barraclough, "Malaysia in 1985: A Question of Management," *Southeast Asian Affairs 1986*, pp. 196-197.

seats and garnered about 16 percent of the vote. PAS accused the government of not upholding Islamic principles, and at the village level it challenged the authority of government-appointed imams (mosque leaders) with their own orthodox and devout PAS imams. Many Malay villages were torn by the contest for power and legitimacy between PAS and UMNO. The government's concern over the activities of the "extremists" in PAS was presented in a White Paper of 1984 entitled "Threat to Muslim Unity and National Security."¹¹

The Democratic Action party (DAP) was the largest opposition party, having gained nine parliamentary seats, six from peninsular Malaysia and three from the Borneo states. Just as PAS was the core of the Malay opposition to the government, DAP was the opposition spokesman for non-Malay interests. Over the years, DAP politicians have skirted close to the limits placed by the government on raising in public "sensitive issues" that are deemed to be likely to lead to ethnic hostilities. As a result, DAP has tended to concentrate on holding the government's performances to stated promises and goals.

Although DAP could not threaten the core support of the government, which was based on the Malay electorate, it expanded its support base in 1982 to Sarawak and Sabah, being the only peninsular Malaysian party to do so. From this perspective, DAP was viewed as a formidable opponent, particularly for the Chinese-based BN parties—the MCA and Gerakan.

The Barisan Nasional had the usual internal conflicts over the allocation of seats among member parties. Berjasa, a small Kelantan-based Islamic party, withdrew from the BN when Hamim was allowed to enter the BN. Hamim was composed of the moderate faction expelled from PAS and led by Datuk Asri, who was viewed as an important symbolic counter to PAS. The People's Progressive party, based in Ipoh, decided to stay in BN although it was given no parliamentary seats. Because the number of seats in Parliament had been increased by 17, all the major BN parties were given more seats. Even so, many intra-BN disputes erupted. In the end, all decisions on seat allocation were left to Mahathir for final resolution.

Parliament was dissolved on July 18; and nomination day was set for July 24, with elections set for

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"The election contest and the political year following the election promise to be more vociferous than usual, while Indonesia's options and priorities for a revised development strategy under Repelita V are being considered."

Indonesia's Economic Downswing and Political Reforms

BY GEOFFREY B. HAINSWORTH

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INDONESIA is again in a year of elections. On April 23, 1987, the nation goes to the polls to elect its representatives to the House of Assembly, which, a year later, will help to select the next President (still likely to be Suharto). The election year comes after what has been the worst economic year since President Suharto launched his New Order government 30 years ago. It will be followed by what is called "a political year," when jockeying will influence the Guidelines for State Policy (GBHN), which will form the framework for the next five year development plan, Repelita V, to begin during the new presidential term in 1988. Indonesia is thus reviving its normal quinquennial debate on how it is doing, where it has come from, and where it is headed, in its often breathtaking and worrisome roller-coaster journey into an unknown future.

At its simplest, the current economic crisis has arisen from overreliance on oil and gas revenues to cover government operating and development expenditures and to service Indonesia's international debt. More fundamentally, Indonesia's economic problem is one of imbalance between the oil and gas plus subsidy-dependent "modern sector" and the rest of the economy, where poverty and low productivity still generally prevail. The risks inherent in "bonanza development" in the face of continuing "economic dualism" have been apparent for a long time.¹ Oil and gas revenues, after being raised tenfold during the 1970's by OPEC (Organization of Petroleum Exporting Countries) price manipulation, have been sluggish and on a downward trend since 1980. What apparently took Indonesia's economic planners by

surprise was the abruptness and the severity of the collapse of oil revenues during 1985, and the consequences that this collapse has for the immediate economic future.

The government recognized that Indonesia would be facing new and austere economic realities during 1986. On January 7, in presenting the draft state budget for fiscal year 1986-1987, President Suharto announced that there would be a cut of 7 percent in overall government spending (to the equivalent of US\$19 billion). This would be the first time since the inauguration of the New Order government in 1965 that year-to-year expenditures had not increased. Such a course was necessary, the President said, to preserve a balanced budget, which the government saw as vital to ensuring economic stability. "Domestic revenues" (including receipts from oil and gas and from non-oil exports) were projected to be around \$15.8 billion, a decline of 4.5 percent from the previous fiscal year, while "development revenues" from foreign funds were expected to be about \$3.2 billion, a decline of 17.8 percent.² Though foreign exchange earnings had dramatically declined and a \$2-billion deficit on the balance of payments was expected, Indonesia's foreign exchange reserves were a respectable \$10.7 billion, and were judged to be adequate for security and development purposes. The rate of inflation had been reduced from 8.7 percent in 1984 to 4.3 percent in 1985, and the government saw no need for a devaluation.

For those involved in implementing Indonesia's development plans, the news was more dramatic. As routine operating expenses and civil servant salaries would have to increase, the President announced that the overall development budget would be slashed by 22.1 percent, to \$7.4 billion for FY1986-1987 (compared to \$9.5 billion in FY1985-1986). It was anticipated that no new projects at all would be initiated during the new fiscal year. Priorities would have to be greatly sharpened, with preference for completing projects already under way, for furnishing rupiah components for projects aided by foreign funds, and for the continuation of projects designed to improve equity and to expand work opportunities. The most

¹For example, see Geoffrey B. Hainsworth, "Indonesia: Bonanza Development Amidst 'Shared Poverty,'" *Current History*, December, 1979, and "Dilemmas of Development in Indonesia," *Current History*, December, 1980.

²As foreign development loans are included as revenues in the budget, it is not "balanced" in the normal technical meaning of the term. The Suharto administration, however, abhors the concept of "deficit spending" because of its association with the runaway inflation, financial mismanagement and the poor international reputation of the Sukarno regime, which it replaced in 1966.

severe cuts (or "postponements") would have to be made by big-spending agencies with high local (rupiah) funding requirements. Regional agencies would receive modest increases in development funds, but central ministries and agencies would see their budgets reduced by about 45 percent.

Indonesia is presently the largest recipient of loans from the Asian Development Bank (ADB), as well as one of the largest recipients of World Bank loans. This has the advantage of giving Indonesia something of an inside track and a special leverage with these institutions, especially in view of what is seen to be its consistently blue-chip rating in debt servicing and loan repayment. Indonesia's Finance Minister, Radius Prawiro, met the ADB board of directors on October 21, for example, and apparently gained approval for up to 80 percent ADB coverage of local rupiah costs in future loan agreements. The Ministry of Public Works, which had its budget cut by 50 percent, also has managed to persuade the World Bank, the ADB, and other donors to reduce local counterpart funding requirements from 40 percent to 30 percent or 20 percent of project outlays, and most donor agencies are temporarily covering larger-than-normal shares of local costs so that aid-funded projects can continue without interruption. There have, however, been many slowdowns, stoppages, or reschedulings of projects wholly dependent on local funding.

With regard to government revenue predictions, it soon became clear that the situation was even worse than expected. In the FY1986–1987 budget, revenues from oil and gas were expected to provide Rp. 8.15 trillion (\$7.2 billion), or 55 percent of state revenues (compared to 65–70 percent in recent years). These calculations were based on oil prices averaging \$25 per barrel and production being maintained at 1.34 million barrels a day. Substantially lower prices have subsequently been realized, dipping as low as \$8 at midyear, and averaging below \$12 per barrel for most of 1986. This was a severe shock to economic forecasters, and evidently threw all their budgetary projections and allocations into disarray.³ Adherence to the philosophy of an overall balanced budget means that government programs will have to be slashed even further, and this cannot help but have a depressing effect on the economy.

Lower oil prices could have been offset to some extent by increased production, but new OPEC-imposed quotas actually cut Indonesia's allowable rate of production to 1.19 barrels a day in October (and down to 1.13 barrels a day after February 1, 1987,

³It can be estimated that, for every \$1 drop in crude oil prices, Indonesia loses between \$400 million and \$500 million in foreign exchange earnings, and between \$250 million and \$300 million in government revenues.

⁴Quoted by Shim Jae Hoon, "Devaluation Blues," *Far Eastern Economic Review*, October 2, 1986. The price changes cited are also from this source.

under the December OPEC agreement). The calamity might be partially offset later in 1987 by raising or avoiding the OPEC quotas, by economizing on some of Indonesia's relatively high production costs, and by better price terms negotiated under long-term contracts (e.g., with Japan), but the outlook remains gloomy rather than rosy for oil prices. Somewhat brighter prospects may be found in the potential for expanding exports of LNG (liquefied natural gas) and LPG (liquefied petroleum gas), of which Indonesia has immense untapped reserves, and for which there is a potential for growth in regional demand that may not be so prone to oversupply and price fluctuations. There is also considerable scope for wider and more intensive domestic utilization, including the substitution of LNG and LPG for other scarce energy resources, but this will require large capital outlays on pipelines, storage, processing and other facilities.

DEVALUATION AND ECONOMIC REFORM

In the meantime, more drastic economic measures were called for. On September 12, the rupiah was devalued by 31 percent against the United States dollar (from approximately \$1 = Rp.1134 to \$1 = Rp.1644), despite many categorical assurances from all concerned that a devaluation "will not occur this year." (These statements were subsequently "explained" in retrospect; some officials said they were referring to the old fiscal year rather than to the calendar year.) Previous devaluations had involved a 33 percent cut in the dollar/rupiah value in November, 1978, and a 27 percent drop in March, 1983.

As a result of the devaluation, the rupiah value of foreign exchange earnings and of project aid will have been increased, although the rupiah value of foreign capital remittances and debt servicing have also gone up. The net effect should help to maintain a balanced budget. The main hoped-for benefit from the devaluation, however, will be the boost it may give to non-oil exports, although previous devaluations have not had a major effect on such exports.

The most serious impact of the devaluation will be the cumulative boost it will give to domestic inflation, and the economic effects and political repercussions of inflation, especially for the urban poor. A week after the devaluation went into effect, President Suharto took an unusual walking tour of Jakarta's main produce markets to show personal interest in checking that prices were not being excessively inflated. In conversations with shopkeepers along the way, he assured them that it was "not the intention of the government to deceive the people and make them suffer from the devaluation," and denounced reports of postdevaluation rioting as malicious "rumors spread by irresponsible persons bent on making use of the devaluation to arouse the anger of the people."⁴ Several larger shops closed the day after the devaluation, and opened

with 25 to 30 percent price adjustments on their stocks of imported goods the next day. By the end of September, rice prices in Jakarta and other major cities had not noticeably changed, flour and soybeans were up 28 percent and 15 percent respectively, imported medicines had risen by about 25 percent, and the price of some textiles had jumped by 20 to 40 percent.

Indonesia has long been under pressure from the World Bank and other agencies to reform the various institutional arrangements that inhibit efficient production and trade and facilitate corruption and the bureaucratic abuse of authority. An initial sweeping reform occurred in April, 1985, when armed forces commander General Benny Murdani was commissioned to take a clean-broom approach to the customs and excise bureaucracy as part of a major simplification of procedures for importing materials and equipment. The legendary hassles and perils involved in moving goods through Indonesia's ports were declared to be part of the past. Imports could now pass through ports of entry with no inspection or delay, as long as the paperwork had been completed and approved by the designated Swiss company, the Société Générale de Surveillance, with facilities at 140 ports of embarkation around the world.

This reform will lower prices and effective rates of protection on imports to some extent, and other measures are under consideration to achieve this goal more directly. On October 25, a postdevaluation reform package was announced, which marks a major step in a movement to dismantle Indonesia's notorious network of trade controls and import licensing. The granting of import licenses to specific traders confers an exclusive right to import particular commodities up to certain quota amounts and, in effect, confers monopoly power to fix and manipulate domestic prices on these items. About 60 import regulation decrees were in effect before the reform, covering some 1,000 commodity categories. Although import licenses are normally granted to state enterprises in the first instance, they are often subcontracted out so that control is passed to well-placed individuals and private companies.

ATTRACTING FOREIGN INVESTMENT

Efforts are being intensified to rekindle the interest and stimulate the participation of foreign firms in Indonesia's economic revival. Official estimates of new foreign investment in Indonesia show a decline from \$2.9 billion in 1983 to \$852 million in 1984 and \$699 million in 1985. In addition, \$400 million in previously approved applications were canceled in 1985

because investments had not been initiated. For the first six months of 1986, new foreign investment commitments totaled only \$139 million, a 65 percent reduction compared to the first six months of 1985. These figures do not include capital export and disinvestment, which would clearly make net investment a negative figure in the hundreds of millions or billions of dollars. It should be noted, however, that Indonesia is neither alone, nor very conspicuous among developing countries experiencing net capital outflow in recent years.

Despite the reforms and incentives, an early revival of foreign investment activity in Indonesia has not occurred. Official development assistance (as coordinated through IGGI, the Inter-Governmental Group on Indonesia, chaired by the World Bank) has remained constant, around \$2.5 billion a year. At the same time, the costs of official debt servicing have substantially increased, to projected levels of \$5.2 billion in FY 1986-1987 and \$6.1 billion in FY1987-1988 (thus bringing Indonesia's debt-service ratio up to around the 33 percent level).⁵ External liabilities, from public and private borrowing, are estimated to be around \$32 billion, or about one-third of the country's GNP. At least one-third of these loans are denominated in yen, the realignment in the value of which relative to the rupiah by September, 1986, had in itself added over \$800 million to Indonesia's indebtedness. Another problem is that most of the official long-term loans coming due were made at concessional rates, but because of Indonesia's current "middle-income country" status, these long-term loans will have to be replaced by loans carrying much higher commercial rates of interest.

Indonesia thus remains a major net exporter, not an importer, of capital on both official and private accounts. Failing a dramatic revival of oil prices, it is difficult to see how it will manage to get by in the short run without resorting to debt rescheduling, suggestions of which have thus far been steadfastly rebuffed by the government, largely on grounds of national prestige. Additional large-scale overseas commercial borrowing is also likely to be required, through floating more international bond issues and opening more bank lines of credit, thus incurring heavier repayment burdens for the years ahead. In the medium term, substantial cutbacks in government spending and restructuring of priorities will be called for, along with increased pressure to implement additional economic reforms. And, over the longer run, a series of major economic transformations in Indonesia's productive capabilities and financial self-reliance will be necessary if the economy is ever to get out from under the legacy of the bonanza years.

Agriculture still accounts for about 40 percent of Indonesia's GNP and provides a livelihood for almost 80 percent of its citizens; and plantation crops may

⁵Based on newspaper reports summarizing findings and recommendations of the World Bank report on Indonesia submitted and discussed at the IGGI (Inter-Governmental Group on Indonesia) aid consortium meeting in The Hague, June, 1986.

offer a major prospect for increasing revenues from non-oil exports. Agricultural performance thus must not be lost sight of in deliberations focusing on Indonesia's macroeconomic and international financial problems.

On September 11, Agriculture Minister Achmad Affandi gave his annual official forecasts for some of Indonesia's main agricultural crops. Output levels of virtually all food and plantation crops were projected to be maintained or to increase modestly in volume terms in 1986, with more optimistic expectations expressed for 1987. While production of rice has not kept up with the projected 2 percent rate of population increase, Affandi announced that Indonesia should still be able to maintain national self-sufficiency in rice production by drawing on 2 million tonnes of accumulated stocks of rice in storage.

It is hoped that increased yields will again secure self-sufficiency in rice production with the 1987 harvest year and beyond, but this may prove difficult to realize. Indonesia has held the world record over the last 15 years for expansion in cereal production (averaging above 5 percent per year). It has achieved this partly by keeping domestic rice prices high (to around \$252 per tonne, as against world market prices of \$160 to \$180 per tonne), and partly through massive government expenditures on irrigation, marketing, seed supply, low interest credit and subsidized fertilizer inputs. The fertilizer subsidies alone are expected to cost about \$594 million over FY1986-1987. It is difficult to see how such support can be maintained in the face of the new austerity, and rice prices have already been frozen by Bulog, the state purchasing agency (and thus will decline abruptly in real terms with the spurt in inflation).

Indonesia is a net exporter of corn, an importer of cassava (401,000 tonnes in 1984 and 330,000 tonnes in 1985, according to United States embassy estimates), and a small importer of groundnuts. These figures may change in future years as more diverse dietary habits and the production of substitute staples and supplements to rice are encouraged. Soybean production, in particular, has been the target of government campaigns to increase consumption for protein-nutritional purposes, and to move toward self-sufficiency in production. It may well be that some of these and other alternative and supplementary food-crops can be encouraged as less costly means than rice subsidization for maintaining agricultural pro-

duction, employment, nutritional improvement and foreign exchange conservation.

No projections were given by the agriculture minister for price expectations or for the division of plantation outputs between exports and domestic use. Palm oil and rubber are mainly exported; sugarcane and cotton are mainly sold locally; and coffee and tea are exported and sold locally. Indonesia also typically imports in excess of 100,000 tonnes of cotton each year for use in local manufacturing. The increases in plantation crop outputs are relatively modest, and the incentive for increased output will decrease if government price supports and input subsidies are withdrawn or reduced. One should not expect additional export volumes of these items to compensate for continuing low commodity prices on world markets sufficiently to save the day. Other incentives and reforms, including some reorganization of rural development strategies and resource management arrangements, are likely to be required to achieve substantially better results.⁶

Non-oil exports also include forestry products, fisheries, minerals, manufacturing, and services (such as tourism to Bali and other locations); and strenuous efforts are being undertaken to promote these. Wood and wood products, especially plywood, are Indonesia's third major export (behind oil and gas), followed by rubber, textiles, coffee and tin. All five categories combined earned \$3.3 billion in 1985, or about one-fourth of Indonesia's combined foreign exchange earnings of oil and gas. In most fields, competition from Indonesia's competitors is becoming more intense, and commodity prices remain low without much apparent prospect for an early improvement.

THE ELECTION PROCESS

The election scheduled for April 23 will involve about 100 million eligible voters, with the turnout expected to be above 90 percent. Indonesia enjoys universal suffrage for all registered citizens over age 17, and an estimated 12 million voters will be casting a ballot for the first time. Particular interest is focused on how these young people will exercise their vote. Due to enlarged representation, the House of Assembly will be increased from 460 to 500 seats after the

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⁶Including, for example, fuller and more ingenious utilization of hitherto unused or underutilized local resources; for a discussion of some of the possibilities, see Geoffrey B. Hainsworth and Hasan Poerbo, eds., *Local Resource Management for Livelihood Security and Livelihood Enhancement: A Summary of Proceedings of the IDRC-EMDI-ITB International Conference, Bandung 1986* (Halifax, Nova Scotia: School of Resource and Environmental Studies, Dalhousie University, 1986).

BOOK REVIEWS

ON SOUTHEAST ASIA

INTERVENTION: HOW AMERICA BECAME INVOLVED IN VIETNAM. By *George McT. Kahin*. (New York: Knopf, 1986. 550 pages, notes and index, \$24.95.)

Kahin, a longtime and respected scholar of Southeast Asia, has produced a landmark history of the origins and consolidation of American military involvement in Vietnam. Working from a mass of declassified documents made available under the Freedom of Information Act (which, he notes, has been all but gutted because of the Reagan administration's obsession with secrecy), Kahin carefully reconstructs the political, strategic and military arguments that led the United States to define South Vietnam as a vital strategic interest when in fact it was not. The narrative ends in 1966; by that time, the major steps had been completed in an attempt "to apply external power . . . to control the threat of nationalism and create an artificial, externally sustained state that lacked any indigenous foundation."

W.W.F.

CRISIS IN THE PHILIPPINES: THE MARCOS ERA AND BEYOND. Edited by *John Bresnan*. (Princeton: Princeton University Press, 1986. 284 pages, notes, readings and index, \$30.00, cloth; \$10.95, paper.)

With Marcos's American-assisted departure as its starting point, *Crisis in the Philippines* surveys the social, political and economic problems that confront the new Philippine leadership. These well-written essays by recognized experts provide essential background to the volatile situation in the Philippines.

W.W.F.

SRI LANKA: ETHNIC FRATRICIDE AND THE DISMANTLING OF DEMOCRACY. By *S. J. Tambiah*. (Chicago: University of Chicago Press, 1986. 198 pages, notes, appendixes and index, \$17.95.)

The civil war between Tamil separatist guerrillas and Sri Lankan government forces is rarely discussed in the Western press except for sporadic mention of guerrilla or government massacres. *Sri Lanka* competently fills this information gap. Tambiah, a Sri Lankan who teaches anthropology at Harvard, openly admits his is not a dispassionate description of the conflict, but he nonetheless strives to analyze clearly and objectively the roots of the war. He proposes a solution to the war that includes limited autonomy for the Tamils.

W.W.F.

APPRENTICE REVOLUTIONARIES: THE COMMUNIST MOVEMENT IN LAOS, 1930-1985. By *MacAlister Brown and Joseph J. Zasloff*. (Stanford: Hoover Institution Press, 1986. 463 pages, notes, appendixes, bibliography and index, \$13.95, paper.)

The two foremost American experts on Laos have written an excellent modern history of that country. They have gathered material from disparate sources for a fair-minded analysis and review of the Communist rebellion and the nurture and support it received from the Vietnamese Communist party.

W.W.F.

THE GENEVA CONFERENCE OF 1954 ON INDOCHINA. By *James Cable*. (New York: St. Martin's Press, 1986. 179 pages, notes, appendixes, bibliography and index, \$32.50.)

Cable ably reviews the major issues and events that shaped the conference that ended French involvement in Vietnam and set the stage for the war that dragged on for 19 years. Much of the interpretation draws on recently released British documents.

W.W.F.

THE "UNCENSORED WAR": THE MEDIA AND VIETNAM. By *Daniel C. Hallin*. (New York: Oxford University Press, 1986. 285 pages, notes, appendix, bibliography and index, \$22.50.)

More than a decade since the end of the Vietnam War, debate continues about the role television and the major daily newspapers played in their reporting of the war. The most contentious issue has been the conservative charge that the media caused the United States to "lose" the war because of the media's liberal, antiwar agenda. With *New York Times* reporting and archived network television news broadcasts as his evidence, Hallin argues that the media did not lose the war; in fact, through the early years of the war it maintained a basically supportive position, and its critical commentary in the later years of the war was preceded by public and political elite desire to end American involvement in Vietnam.

W.W.F.

THAILAND AND THE FALL OF SINGAPORE. By *Nigel J. Brailey*. (Boulder, Colo.: Westview Press, 1986. 288 pages, notes, bibliography and index, \$28.00.)

Brailey focuses on the modern history of Thailand since 1932; he argues that the Japanese occupation delayed Thailand's political development.

W.W.F. ■

LAOS

(Continued from page 155)

resistance elements, and the ban on transit to Laos of "strategic goods." The list includes not only asphalt needed for the basic transportation system, but also drugs, clothing, bicycles and building materials. Thailand has occasionally granted exceptions, after delays, and in December, 1986, the Thai were reported ready to remove 212 items from 273 items on the list as a sign of renewed friendly relations with their sometimes truculent neighbor.

This marks quite a change from the three-village controversy of 1984, which Laos brought to the United Nations Security Council and which Thailand backed away from in order to sustain its successful campaign for election to a two-year term on the Security Council. The incident originated in the remote mountainous province of Nan in northern Thailand, facing the Sayaboury province of Laos. In the spring of 1984, a Thai military road construction project approached the village of Ban Mai and two satellite hamlets, near the watershed border of the two nations. In the past decade, the area reportedly harbored both Thai Communist bases and Lao resistance jumping-off points, and had a relatively indifferent national administration. In spite of hostile signs to the approaching Thai engineers by local Lao authorities in April and May, 1,500 Thai troops backed by artillery entered the villages in force on June 6 and began to distribute clear signs of Thai administration, like identity cards, currency, educational materials and slogans.

The controversy reached a tolerable resolution with the indirect assistance of the United Nations, thanks to Thailand's pending campaign for election to the Security Council. The Mongolian People's Republic was its chief rival. Before Laos could present its complaint to the Security Council, the Thai foreign minister used his annual speech to the General Assembly to announce his country's intention to remove its troops from the disputed villages in the interest of a peaceful solution. After a brief delay, the troops were removed as far as the borderline passes, and this action eased the way for Thailand's election to the Security Council on the fourth ballot.

Laotian foreign policy remains confined within the limits set by its "special relationship" or socialist alliance with Vietnam. The 1977 treaty of friendship was finally supplemented in January, 1986, by a border delineation treaty. The most striking feature of the relationship, however, has been the continued stationing of over 40,000 Vietnamese troops in Laos.

Each year General Secretary Kaysone spends several weeks on vacation in the Soviet Union and confers with the top Soviet leadership. He has reportedly encountered Soviet displeasure at the inefficient use of Soviet assistance, and his own speeches reiterate

the complaint about faulty and corrupt management. The number of Soviet specialists working in Laos has been estimated at 1,600 by a Japanese source, but their total presence as a diplomatic, military and economic assistance mission is larger. The American diplomatic mission, by contrast, has been restricted since 1975 to 12 individuals.

Relations between Laos and the United States have gradually improved in the past two years, and Prime Minister Kaysone's party congress speech noted his country's gestures of goodwill, with a demand that the Americans "cease all acts of interference in the internal affairs of our country." The goodwill gestures include authorizing a joint excavation in February, 1985, of a wartime aerial crash site in the jungle, which yielded the remains of 13 American servicemen known to have been missing in action. Future search expeditions are expected to take place (using American planes and equipment), and Lao officials have visited the United States war casualty laboratories in Hawaii to study the technology of identification. More than 500 Americans disappeared in the Laos theater; given the savage terrain, only a fraction of the fatalities will ever be physically identified. The Lao and American governments appear to be proceeding slowly but systematically toward the excavation of major known crash sites, and so long as Rambo-type expeditions by fantasizing American freebooters are not allowed to recur, the process may succeed.

A related outcome of the United States search for the MIA's has been the donation of limited American humanitarian aid to Laos (food and medical supplies) and the successful request by the administration of President Ronald Reagan that Congress lift its ban on economic aid to Laos. An upgrading of diplomatic relations (above the *chargé d'affaires* level) may follow if guerrilla resistance activity out of Thailand is downgraded.

OUT OF THE PAST

As the three-village controversy, the MIA search, the economic embargo and military resistance activities show, the bitter recriminations of the past may be receding in a manner that will allow Laos to seek badly needed economic assistance and the relaxation of military vigilance. The prospect that Laos will seek a larger degree of independence from Vietnam is not a serious one, in light of the close collaboration of the revolutionary parties. Yet breaking away from Vietnam and the Soviet bloc is not a necessary condition for more rapid development and peace in Laos. The present friendlier trend in foreign relations can lead to somewhat better conditions for the Lao nation, even though its goal will remain the socialist transformation and its foreign policy will be constrained by Vietnam's dogged pursuit of its own peculiar version of national liberation. ■

UNITED STATES POLICY

(Continued from page 147)

of these measures on Thai sales, there is no debate over the fact that actual and potential United States rice and sugar policies have led to a sharp drop in international prices for both commodities. The rice issue is especially sensitive because of the central role of rice in Thailand's culture as well as in its economy. Thus criticism of the United States has been unusually widespread, direct and bitter.

The Thai have attacked American rice policy as revealing the hypocrisy of United States condemnation of other nations' agricultural subsidies, charging that American policies sacrifice the interests of the 35 million Thai, 70 percent of the population, who are described as dependent in one way or another on the rice trade, to those of a mere 11,000 American rice farmers. According to Thailand, these policies represent unfair harassment of a small ally and a failure of American leadership, ultimately damaging to United States interest in the strength and stability of Thailand and its ASEAN partners.

Responding to ASEAN complaints, the Reagan administration has cited its own opposition to congressional protectionist fever; administration spokesmen emphasize the continued health of the United States-ASEAN trading relationship, and call on the ASEAN countries to reform some of their own practices. In his meeting with the ASEAN foreign ministers in June, Secretary Shultz devoted most of his public statements to these themes. Defending the American trade record, he pointed out that in the past three years, ASEAN exports to the United States have increased from \$14 billion to a little over \$16 billion, while ASEAN exports to the rest of the world have decreased by \$3.3 billion. Affirming Ronald Reagan's deep opposition to protectionism, he described the President as applauding "the wonderful speech, outstanding speech" in which, in 1985, Singapore's Prime Minister Lee Kuan Yew warned a congressional joint session of the economic and strategic dangers of protectionism. And, citing the importance of an equal commitment on the part of American trading partners, Shultz pointed in particular to the importance of efforts in ASEAN to improve the protection afforded to intellectual property and the climate for foreign investment and joint ventures.⁶

Trade frictions inspired some Thai proposals for loosening Bangkok's political and security links with the United States. But in fact the security relationship was strengthened in line with trends, which extended to other ASEAN countries as well, set in motion by the Vietnamese occupation of Kampuchea and the Soviet military foothold in Vietnam. As hostilities in

Kampuchea spilled over the border, the United States responded to Vietnamese incursions into Thailand by expediting its deliveries of military equipment.

To overcome the problems caused by sudden heavy demands on its military supplies and logistic capabilities, some years ago the Thai inquired about a stockpiling arrangement with the United States. The resulting agreement, signed early in January, 1987, provides for a stockpile sited in Thailand for Thai use, which will be built up over a period of five years and funded half by Thailand and half by the United States for a total expenditure of \$100 million. Its composition will be determined by agreement between the two countries, and the United States portion will be released for Thai use when both countries agree that Thailand is confronted with a "nation-threatening" situation.

VIETNAM

While trade issues continued to cause problems between the United States and ASEAN in 1986, some improvement in Vietnamese performance on MIA (missing in action) issues brought a slight warming but no basic change in United States-Vietnamese relations. The United States has continued to insist that the MIA problem is a humanitarian one, separate from the question of normalizing relations, which (other issues aside) cannot take place without a satisfactory settlement in Kampuchea. Hanoi, for its part, seems to have come to the conclusion that, even without normalization, some improvement in the climate of its relations with the United States has at least a certain psychological utility in connection with its dependence on the Soviet Union and its confrontation with ASEAN and China.

The businesslike and accommodating Vietnamese approach adopted in mid-1985 continued in 1986. Two events epitomized the improvement in 1985: the joint excavation of a B-52 crash site in November and, in December, discussions in Hanoi in which for the first time the Department of State was represented at the assistant secretary level. In 1986, further discussion of the implementation of Hanoi's September, 1985, proposal for resolving remaining MIA problems in two years produced an exchange of work plans, formal United States agreement to provide assistance in support of further excavations and other efforts, and Vietnam's agreement to permit American experts to accompany the Vietnamese on investigations in accessible areas. Despite an improved atmosphere, however, the remains and information turned over by the Vietnamese in 1986 reduced only slightly the number of Americans counted by the United States as missing in action or otherwise unaccounted for in Vietnam—to 1,785 in November, 1986, down from 1,797 at the beginning of the year.

In the year ahead, acute economic difficulties and

⁶*Department of State Bulletin*, September, 1986, pp. 25-36.

continuing political uncertainties in the Philippines, as well as questions about the future of the American bases, are likely to pose significant challenges. Trade issues, however, are likely to constitute the most difficult problems for American policy in Southeast Asia. ASEAN countries already see enhanced protectionist threats in the composition of the 100th Congress; and their already limited faith in the will and ability of the executive branch to resist protectionism has been further shaken by the impact on the presidency of the Iran-Nicaragua imbroglio. ■

VIETNAM

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15, 1986. Truong Chinh set the tone at a reception for delegates when he conceded that party and government leaders were guilty of "serious shortcomings and errors" and called for "basic renovation" in all areas of society. A broad description of the projected reforms was spelled out in the political report presented to the opening session of the congress. In the area of economic planning, the report reiterated the emphasis set forth at the eighth plenum in 1985, stating that while there must be central control and unified management in the key domains of Vietnam's economy, bureaucratic centralism must be "resolutely abolished" in favor of a continued emphasis on economic accounting methods and local autonomy by state-run enterprises.¹³

In the area of socialist transformation, the report conceded that the party has sought too rapid a transition to socialism. Future strategy will avoid setting a specific target date and will concentrate on steady socialist transformation, meanwhile attempting to enable the state sector to play a leading role in the economy. Private capitalist activities will continue to play a selective role; but the building of high-level collectives "should not be done in haste."

Finally, the political report referred to the priorities that will be assigned to various sectors of the economy. Noting that in the recent past, excessive attention was devoted to ambitious projects to promote industrialization, in the upcoming 1986-1990 five year plan emphasis will be placed on grain production, consumer goods and export products. Promotion of the latter will permit the importation of needed industrial goods from abroad.

On foreign policy the congress said relatively little. On the crucial issue of Kampuchea, the political report simply repeated its standard proposal: Hanoi would welcome a settlement that provided for national reconciliation based on the elimination of the Pol Pot clique. At a press conference held in conjunction with the congress, Deputy Foreign Minister Vo Dong Giang

stated that "as a matter of principle" Vietnam would not negotiate with the Kampuchean resistance movement. National reconciliation could be achieved only through direct negotiations with Kampuchea.¹⁴

The political report was equally laconic about China. After a brief and ritualistic reference to the traditional friendship between the Vietnamese and the Chinese, it declared that Vietnam "is ready to negotiate with China at any time, at any level, and in any place" in order to improve relations between the two countries. The report was characteristically effusive about the Soviet Union: the strengthening of solidarity and cooperation with the Soviet Union "is always the cornerstone of the foreign policy of our party and state." Vietnamese delegates at the congress must have been relieved to hear the December 17 statement by the Soviet delegate, Yegor Ligachev, at a press conference in Hanoi; Ligachev said that the Soviet Union, while normalizing relations with China, "will never harm a third country, Vietnam particularly." If China and Vietnam wish to restore normal relations, he said, they should talk directly with each other.¹⁵

Finally, the congress announced a number of significant and long-awaited changes in party leadership. Three of the veteran leaders of the organization—Truong Chinh, Pham Van Dong and Le Duc Tho—lost their positions in the Politburo, although they were retained as advisers to the Central Committee. The official explanation was that they had voluntarily relinquished their posts because of "advanced age and failing health," but there were reports that they had been pressured to leave by younger members of the party. Replacing Truong Chinh as General Secretary was Nguyen Van Linh, a party veteran with substantial experience in the south and a reputation as a reformist. Several new faces appeared in the Politburo; and a number of veteran leaders identified with the reformist cause, like Vo Chi Cong and Vo Van Kiet, moved up in the ranks.

PROSPECTS

By its own reckoning, Hanoi hopes to use the decisions taken at the sixth party congress as a springboard to surmount its current difficulties and propel the Vietnamese revolution to new heights in the next decade. There are some grounds for cautious optimism. The program announced at the congress suggests a heightened awareness among party leaders that the road will be long and arduous. The entrance into the ruling group of individuals with pragmatic leanings indicates that objective conditions rather than ideological proclivities will determine policy.

Yet it would be risky to read too much into the brave statements about the "basic renovations" that will eliminate past shortcomings and errors and put the Vietnamese revolution back on course. In fact, based on available evidence, the sixth congress did

¹³See the discussion in "Political Report," op. cit., p. K7.

¹⁴FBIS, December 16, 1986, p. K18.

¹⁵Ibid., December 17, 1986, p. K27.

little more than ratify decisions taken in the years since the previous congress in 1982. While the regime appears resigned to a delay in the transition to a fully socialist society, the reforms projected at the congress do not begin to match in boldness the program currently in operation in China. Moreover, it remains to be seen whether the party has yet resolved the bitter split between ideologues and pragmatists that marked the past decade. While Nguyen Van Linh has been described as a "little Gorbachev," he is 71 years old and must contend with a party bureaucracy that is still essentially Leninist in orientation.

It is open to question whether the regime can resolve its current internal difficulties without finding a solution to the Kampuchean dispute and resolving its dispute with China and the West. Other states in the region are unwilling to accept Hanoi's dominant position in Indochina. On that score, the sixth congress was uncompromising. According to the political report, the consolidation of the "special relationship" between Vietnam, Laos and Kampuchea is "a law governing the survival and development of all three fraternal nations."¹⁶ ■

¹⁶"Political Report of the Communist Party of Vietnam at the Sixth National Party Congress," FBIS, December 22, 1986, p. K29.

INDONESIA

(Continued from page 175)

election, of which 400 will be elected members and 100 will be appointed by the President. The People's Consultative Assembly, which includes the House of Assembly and meets every five years to elect the President and to lay down the Guidelines for State Policy (GBHN), will be increased from 920 to 1,000 members, with an additional 500 appointed to represent the army and other institutional groups in the society.

Golkar (the "functional group" active in support of the government) has already announced that it hopes

⁷Some of the implications of this, as well as a commentary on the previous national election in 1983, can be found in Geoffrey B. Hainsworth, "The Political Economy of Pancasila in Indonesia," *Current History*, April, 1983.

⁸Under Indonesia's election rules, ballots are counted not for individual candidates but for complete lists of candidates. Representatives are then selected by going down each party's list in proportion to its share of the total number of votes cast. Lists of candidates for Golkar and for each party are submitted to and have to be approved by a 17-member central committee of investigation. As of the end of October, 1986, about 60 of 800 prospective candidates from Golkar, 250 out of 800 from the PPP, and 259 out of 629 from the PDI had been disqualified. Reasons for disqualification do not have to be explained, but can include poor health, past connections with the PKI (Communist party of Indonesia), criticism directed against the government, or expression of dissatisfaction with prevailing institutional arrangements. See "Minority Political Parties Face Struggle for Votes," *Far Eastern Economic Review*, November 26, 1986.

to win at least 280 of the 400 elective seats in the House of Assembly, and its majority representation in both the institutions will ensure that President Suharto will be offered a new five-year term, commencing in March, 1988. It was announced at a Golkar convention on October 20, 1986, that Suharto had accepted its nomination for a fifth term of office. If tradition is followed, the nomination will be unopposed and will be made unanimous by the support of all parties.

In addition to Golkar, two other political parties are permitted to submit lists of candidates in the national election: the Muslim-based United Development party (PPP), and the Democratic party of Indonesia (PDI). Since 1983, all parties must adhere exclusively to the state ideology of Pancasila, two central doctrines of which are religious tolerance and harmonious coexistence.⁷ This effectively bars candidates from appealing to voters on the basis of religious or ethnic identification, which is a particular handicap for the PPP. In this election, for example, the PPP will not be allowed to use the Kaaba (the holy shrine at Mecca) as its customary vote-getting identification badge. The PDI, the remnant successor of Sukarno's party, represents a much smaller and less threatening source of opposition, based on an uneasy coalition of three nationalist and two rival Christian groups. This time, however, it may well attract more votes (including some at the expense of the PPP) with the possibility that two of Sukarno's daughters and one of his sons-in-law will appear on its list of candidates.⁸ Both opposition political parties are further handicapped by not being able to maintain a grass roots political organization between elections, and by not being allowed to hold public meetings except during an approved pre-election campaign period, which has been reduced from 45 days to only 25 days.

PRESS COVERAGE AND "NOISES OFF"

The economic events of 1986 and the forthcoming political events of 1987 have inevitably stimulated a broader than normal press discussion and a louder than normal public debate on a range of key economic and political issues. Elements in the government have been sensitive about the stepped-up levels of outright or implicit criticism of the New Order government, its economic performance, and prevailing institutional arrangements, especially those that are perceived to perpetuate privileges for some and inequities for other groups in society.

The *Sinar Harapan*, a popular local newspaper, for example, had its license revoked because it leaked details of an internal government memorandum discussing the possibility of abolishing import licenses. The influx of foreign journalists, in connection with United States President Ronald Reagan's visit to Bali at the end of April, also caused some furor, especially because of the free-ranging articles they often filed

discussing poverty and income inequality, East Timor and Irian Jaya, transmigration, political detainees and prospects for Indonesia's continuing political stability, and the often superficial parallels that were drawn with the recently deposed Ferdinand Marcos regime in the Philippines. Issues of *Time* and *Newsweek* for May 12 were banned, as were the *Far Eastern Economic Review* for April 24 and the *International Herald Tribune* for April 30. An article in the *Sydney Morning Herald* on April 10, however, caused the most anger by detailing alleged financial dealings of members of President Suharto's family. This led to the cancellation of a visit by Minister Yusuf Habibie to Canberra, a refusal of visa entry for Australian journalists during President Reagan's visit, and a 24-hour ban on the visa-free entry of Australian tourists. The Australian embassy was also picketed by demonstrators for several days and, in November, renewal of the residence permit was refused for the last Australian correspondent stationed in Jakarta.

The Indonesian government perceives the possibility of further disturbances from Muslim fundamentalist groups, for example, those seeking to make Indonesia an ideological "Islamic state," as the most dangerous political challenge. Internecine struggles within the PPP and within the broader politicized Muslim community may temporarily be diffusing or redirecting these energies, but they seem likely to resurface during and after the election. Much publicity has recently been given to the trial and conviction of retired General Hartono Dharsono, the former secretary general of ASEAN (Association of Southeast Asian Nations), which resulted in a ten-year sentence for subversion and for inciting Muslim fundamentalists to take part in three antigovernment bombings in Jakarta in October, 1984. Dharsono was also accused of coauthoring a document that accused President Suharto of governing unconstitutionally and that challenged military accounts of the September, 1984, riots in the Tanjungpriok sector of Jakarta. The army had reported that approximately 80 people were killed; Dharsono claimed that at least 560 had died. The presiding judge at Dharsono's trial denied that Dharsono was being convicted for holding views different from those of the government; the crime of subversion, he emphasized, arose from the manner in which he had expressed these views before a group of young radicals, which had to be construed as incitement to riot.

The upcoming election has inevitably revived a broad national debate on "the issue of succession" to President Suharto once he decides to step down. This discussion has highlighted Suharto's 20 years in office, and provides a point of entry for typically veiled or roundabout critiques of what the administration has achieved and how its authority has been used. The question of whether to restrict the powers and term of office of future Presidents has received broader edi-

torial comment and national consideration than usual in recent months, with some newspapers even suggesting that presidential power be explicitly included as an election referendum issue.

Student activism also appears to be on the increase, as evidenced, for example, during the September 17 visit of French President François Mitterrand to the campus of the Bandung Institute of Technology, where the visiting delegation was met and jostled by 2,500 students chanting, somewhat ambiguously, "Liberté! Liberté!" Tensions seem likely to increase as economic conditions deteriorate before they improve. Unemployment and underemployment, already very high, will surely increase, especially among unskilled day laborers in the construction trades, which are heavily dependent on government contracts. Youth unemployment is also projected to increase dramatically in the years ahead. These two groups are the most energetic and politically are among the most volatile elements of society in Indonesia's main cities.

Economic adversity has also traditionally triggered interethnic (especially anti-Chinese) animosity and disturbances, and regional disparities will tend to become starker and provoke more demonstrations as the "equalization outlays" component in government development expenditures is cut. For these and other reasons, it is to be expected that sporadic agitation and increasingly strident critiques of the status quo will become more prevalent and more widespread in the months ahead.

TOWARD REPELITA V

The election contest and the political year following the election promise to be more vociferous than usual, while Indonesia's options and priorities for a revised development strategy under Repelita V are being considered.

While some efforts have been made under Repelitas II, III and IV to pursue more equitable, balanced, or harmonious development, the policies have mainly taken the form of government spending on infrastructure (roads and irrigation), public amenities (schools and clinics), or public subsidies and transfer payments. In general, there has not been greater economic integration of the Indonesian economy, and these efforts have not succeeded in dispelling the phenomena of "economic dualism" and "shared poverty" inherited from colonial times. The main engine generating economic growth and public revenues has remained largely an enclave (in fact mostly an offshore enclave), providing little in the way of local employment, local processing, local skill transfer, or other linkage effects to the rest of the society. Direct income benefits and high technology livelihood opportunities have been offered to only a small minority of the population.

The indigenous sector has meanwhile remained

overwhelmingly a low-wage, labor-intensive, subsistence-level economy, using mostly traditional techniques (except where new seeds, irrigation and fertilizer use have been promoted and heavily subsidized by the government). When the gusher of revenues falters and public subsidies disappear, per capita GNP can come very quickly to be dominated by the low productivity and meager levels of living in the indigenous economy. Thus reliance must eventually be switched from externally aided to bootstraps development, which is a much more difficult, painstaking and participatory proposition.⁹ This is the dilemma now facing the Indonesian people and their representatives in the People's Consultative Assembly as they seek to chart the next phase of their national development. ■

⁹For a more extended discussion of this theme, see Geoffrey B. Hainsworth, "Strategy Alternatives and Priorities in Indonesia's Development," in *Innocents Abroad or Partners in Development?* pp. 39-58, and Hainsworth, "Economic Growth, Basic Needs and Environment in Indonesia: The Search for Harmonious Development," *Southeast Asian Affairs 1985* (Singapore: Institute of Southeast Asian Studies, 1985).

MALAYSIA

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August 2 and 3. Although the campaign period was only nine days, most parties had begun canvassing earlier in anticipation of elections.

The biggest problem facing the opposition was whether it could form a united front to maximize its potential in Malaysia's single-member constituency system. PAS decided to make the establishment of an Islamic state its primary plank, claiming that nationalism and ethnic divisions were contrary to Islam's "universalism." It also attempted to widen its appeal by forming a Chinese Consultative Committee (CCC), which promised that PAS would abolish Malay special rights; some Chinese and Indian Muslims were selected as PAS candidates.

With this shift in strategy, PAS hoped to forge an opposition front. However, such a front was difficult to establish because of policy differences among opposition parties. Eventually, a minimal "front" was forged with three minor, ostensibly "multiethnic" opposition parties—the Social Democratic party (SDP), Parti Sosialis Rakyat Malaysia (PSRM) and Parti Nasionalis Malaysia (Nasma). The agreement avoided policy matters but divided constituencies to avoid opposition parties contesting against one another. DAP refused to join any opposition front unless PAS would abandon its goal of an Islamic state.

The BN depicted the opposition front as an unholy alliance of extremists seeking contradictory objectives. In particular, the BN attempted to draw out the meaning and implication of an "Islamic state." Various PAS candidates and party leaders were pressed

for explanation, and eventually some acknowledged that in an Islamic state neither non-Muslims nor women would be allowed to vote. Embarrassed by the PAS stand, state SDP branches disavowed the opposition pact and there were defections from the CCC.

Claiming to provide "unity, prosperity and harmony," the Barisan Nasional stated that it needed a two-thirds majority in Parliament to insure stability in Malaysia's multiethnic setting. The argument was made that the constitution might require amendment in an emergency without the threat of partisan veto. When the votes were finally counted on August 3, the Barisan Nasional had won its two-thirds majority and much more; although its proportion of the popular vote had dropped from 60.4 percent in 1982 to 55.8 percent in 1986, it commanded 83 percent of the parliamentary seats. However, the largest proportionate increase in seats went to DAP, which had avoided the opposition front and had campaigned on a platform of equality for all races and programs to alleviate poverty regardless of race.

This appeal was targeted on non-Malay constituencies, and it resulted in an increase of DAP seats from 9 to 24, 5 of which were won in the Borneo states. In peninsular Malaysia, DAP gains were made largely at the expense of BN seats contested by MCA candidates. The most dramatic and surprising results involved PAS, which captured only one parliamentary seat, even though its percentage of the total vote dropped by only 0.8 percent from its 1982 showing. Many of its losses were by narrow margins, but the BN celebrated its decisive victory as a dramatic repudiation of the PAS program for an Islamic state.

POSTELECTION POLITICS

A postelection crisis emerged in Penang, which had a party distribution of UMNO, 12, Gerakan (Parti Gerakan Rakyat Malaysia), 9, MCA, 2, and DAP, 10. With the largest bloc of seats in the state assembly, UMNO demanded that it control the chief minister's post, even though the state is overwhelmingly Chinese. The Gerakan leader and former chief minister, Lim Chong Eu, threatened to join the opposition DAP to control the state. In the circumstances, Lim Chong Eu became chief minister and Penang remained the only state in Malaysia with a Chinese chief minister. Any other arrangement would have created a racially explosive atmosphere.

The elections confirmed UMNO's dominant power and the results prompted some party officials to warn non-Malays that the Malaysian political system is founded on Malay dominance, and that those who challenge the special rights of the Malays and Malay privileges are "playing with fire."¹² Mahathir acknowledged these sentiments in a speech to the UMNO assembly, stating: "We do not wish to rob other people of their rights. But let no one try to rob

¹²FEER, September 25, 1986, pp. 14-15.

us of our rights.”¹³ When Parliament convened, the King’s speech from the throne warned against discussing issues in terms of racial sentiments. However, as the parliamentary sessions got under way, DAP objected to the division of Malaysians between “first class and second class citizens.” As the debate intensified between those defending and those opposing special Malay rights, some began referring to non-Malays as *orang pendatang* (immigrants or foreigners). When DAP began asking parliamentary questions on the current status of ethnic target goals of the NEP, the standing orders of Parliament were amended to disallow questions seeking information on racial distribution.

Apparently, even the issue of whether the NEP had reached its 1990 target goals was deemed to be a matter of secrecy and “national security.” Malay politicians seemed more determined than ever to extend Malay rights and privileges under the NEP, while DAP and many non-Malays argued that most NEP targets had been met and that the NEP should be considered a remedial “affirmative action” program, subject to revision and gradual conversion to more equalitarian policies. Political differences over this fundamental issue were likely to reach crisis proportions sometime before the 1990 NEP target date. ■

¹³FEER, October 2, 1986, pp. 46–47.

THAILAND

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mately 12,000 in 1979 to 600 in 1986.

Thailand has developed functionally specific foreign policy links with other countries to reinforce its security. The most important links are with China. China performs two crucial functions for Thailand. One is to threaten Vietnam in order to pin down large numbers of Vietnamese troops on the China–Vietnam border. A second is to act as the main source of supplies to the anti-Vietnamese resistance operating in Kampuchea to prevent Vietnam from consolidating its hold on Kampuchea. China has also sent several high-ranking officials to Thailand to offer psychological support. Thus in March, 1985, Chinese President Li Xiannian visited Thailand at the height of a major Vietnamese offensive to destroy rebel camps along the Thai–Kampuchean border.

Thailand has relied heavily on its partners in the Association of Southeast Asian Nations (ASEAN) for

regional and international support, and ASEAN has responded with remarkable unanimity. While Indonesia and Malaysia are more concerned about the potential long-run threat to the region from China than the other members, these differences have not prevented a united ASEAN front in dealing with the Vietnamese.

The United States has reaffirmed its bilateral commitment to Thai security under the provisions of the Manila Pact of 1954 and the Thanat-Rusk communiqué of 1962.⁹ It has also supplied substantial military aid to Thailand since the Vietnamese occupation of Kampuchea, especially in the last two years. In 1985, it agreed to sell Thailand 12 F-16 fighter-bombers, America’s most sophisticated fighter. There was concern on both sides over the financial consequences of the purchase, but it was approved after the Thai air force said it would buy the airplanes out of its own budget. Vietnamese incursions into Thailand and skirmishes with Thai troops in 1985 and the arrival of Soviet-piloted MiG-23’s in Vietnam facilitated the decision.

In 1986, Thai and American officials began negotiations to stockpile weapons in Thailand to be used by the Thai in case of a nation-threatening conflict. When the arrangements are approved by Congress, it will mark the first time such an agreement has been reached with a country in which the United States does not have military bases. Thai and American troops have also engaged in extensive combined operations. Cobra Gold 86 was a combined air, land and sea operation involving 9,300 United States forces and 3,500 Thai forces. The United States has also begun supplying nonmilitary aid to non-Communist Khmer rebels operating in Kampuchea. All this material support has been reinforced by messages and visits from United States officials. In May, 1985, President Reagan wrote to Prime Minister Prem to give his personal support to Thailand; recent high-level visitors have included Central Intelligence Agency head William Casey in May, 1985, Secretary of State George Shultz in July, 1985, and Secretary of Defense Caspar Weinberger in April, 1986.

While security relations between Thailand and the United States are becoming stronger, economic relations have deteriorated. In August, 1986, Foreign Minister Sitthi emphasized that foreign policy would concentrate increasingly on “the country’s economic problems, particularly at a time when the world economic situation is the way it is now.” The main goals will be to “explore new markets, protect existing markets, seek new investments, increase exports, expand tourism, as well as counter trade protectionism by whatever means possible.”¹⁰

American trade protectionism was a particular focus of Thai concern in 1986, though Thailand now has a trade surplus with the United States and a major def-

⁹A very good overview of Thai–United States relations can be found in Karl D. Jackson, “Thai–U.S. Security Relations,” in Karl D. Jackson and Wiwat Mungkandi, eds., *United States–Thailand Relations* (Berkeley: Institute of East Asian Studies, 1986), pp. 163–180. Reasons for the collapse of the insurgency are discussed in Charles Murray, “Thailand: The Domino That Didn’t Fall,” *The Atlantic*, vol. 254, no. 5 (November, 1984), pp. 34–48.

¹⁰Foreign Broadcast Information Service (FBIS), *Daily Report: Asia and Pacific*, August 13, 1986, p. J1.

icit with Japan. A series of protectionist steps against Thai exports began in 1984 when American tuna packers asked for increased tariffs on canned tuna imports. This complaint was rejected by the United States International Trade Commission, but in December, 1984, the United States Department of Commerce, acting on complaints from textile manufacturers, ruled that Thai garments and fabrics were being subsidized. Thailand was forced into an agreement ending the subsidies in 1985. These were only preludes to larger steps. In 1985, Congress passed the Jenkins bill,* which would have severely restricted textile exports to the United States from Thailand as well as from a number of other countries. President Reagan vetoed the bill and the Congress failed to override the veto in 1986, but the Thai are concerned that similar future bills will have more success.

Another major cause for Thai concern was the Food Security Act, which went into effect in 1986. The main intention of the act was to help American farmers compete with subsidized crops from the European Economic Community, but it also includes subsidies for rice farmers that will make United States rice much more competitive with Thai rice. There are conflicting arguments over the impact of the act, but most Thai see it as an example of a very wealthy country subsidizing its farmers at the expense of poor Thai rice farmers.¹¹

Many Thai are angry with the United States because they believe Thailand has had a special relationship with the United States and did not expect Americans to turn against Thailand. They have no comparable expectations for Japan. American officials are quick to point out that they cannot prevent American producers from bringing charges against Thai importers, but these explanations have had little impact upon Thai editorial writers or the Thai public.

CONCLUSION

The pessimists who held out little hope for Thailand at the beginning of the 1980's were wrong for two reasons. They were unable to foresee events that would ease some of Thailand's difficulties, and they underestimated Thai resourcefulness. The Vietnamese invasion of Kampuchea helped bring about the collapse of the Thai insurgency, and a fall in oil prices gave Thailand's economy a needed respite. More important, Thai leaders developed innovative policies to achieve greater security, more political stability and continued economic growth. A combination of political and military tactics led to the defeat of the Communist insurgency. Greater regime stability was gained

by devising a parliamentary framework that accommodates business and middle class desires for greater participation in politics while protecting the interests of the military, the civil service and the monarchy.

The new political regime gives civilian politicians and their business allies access to such desirable Cabinet portfolios as commerce and industry, while fiscal and monetary policy remains in the hands of nonpartisan technocrats in the Finance Ministry, the Budget Bureau and the Bank of Thailand. These technocrats were the main authors of the generally successful macroeconomic policies of the mid-1980's, and they were able to implement them despite considerable criticism from businesses and banks.

This combination of policies and institutional arrangements enabled Thailand to survive the 1980's in much better shape than many had expected. The future success of the current regime depends strongly on two factors. In the short run, Thai leaders must continue to receive the support of the King. In the longer run, they must promote a process of economic development that distributes the benefits of development widely to different regions of the country and different sectors of the population, not simply to the mainly middle class, urban participants who dominate the present regime. ■

THE PHILIPPINES

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and religious workers who supported or joined the rebels during the Marcos years. A notable example is Conrado Balweg, a former rebel priest, NPA commander, and popular Filipino folk hero, who was perhaps the most widely known rebel in the Philippines. After the February, 1986, revolution, Balweg remained an NPA commander until he broke away to form the Cordillera People's Liberation Army in northern Luzon.

On September 13, Aquino made a dramatic surprise visit to the Cordillera Mountains north of Manila where she met with Balweg in an animist ritual truce ceremony. Balweg gave Aquino a tribal spear; Aquino gave Balweg a Bible, a rosary, and an M-16 rifle tied with a yellow ribbon. The government agreed to halt work on a dam construction project and a paper mill that threatened ancestral lands. The new constitution allows greater autonomy for the Cordillera region.⁹

MILITARY REFORM

If political reconciliation and economic recovery are inadequate to stop the Communist insurgency, then Aquino will use military force to put down armed rebellion. Unfortunately, according to many reports, the Philippine armed forces are ill-prepared for this.

During the Marcos years, abuses by corrupt officers

*The sponsor was Congressman Ed Jenkins (D., Ga.).

¹¹Paisal Sricharatchanya, "Break in Communications," *FEER*, vol. 129, no. 29 (July 25, 1985), p. 56; and "Harvest of Ill Will," *FEER*, vol. 131, no. 4 (January 23, 1986), p. 69.

⁹Seth Mydans, "Aquino in Truce with 100 Tribal Rebels," *The New York Times*, September 14, 1986.

and undisciplined personnel undermined popular respect for the military and the police. Many Filipinos questioned the Marcos government's ability to protect them from lawless elements and to dispense justice equitably. Murder, kidnappings, torture and lesser abuses were commonplace in the last Marcos years. Both the armed forces and the NPA resorted to clandestine assassination or "salvaging" as a major weapon in their struggle. Up to February, 1986, Davao City had been experiencing an average of three to four killings per day, yet there had not been a murder trial in over a year.

All these problems were magnified for the Civil Home Defense Force—the government-sponsored local militia. Frequently, CHDF forces threw down their arms and fled when challenged by the NPA. As a consequence, they were a major source of weapons and ammunition for the insurgency. The ill-trained Civilian Home Defense Force was also a source of many abuses of the civilian population. The *Asia 1986 Yearbook* contrasted the "exceptionally disciplined NPA" with government-armed forces "involved in kidnappings, torture, 'salvaging,' intimidation of the rural population and frequent drunken binges at night with indiscriminate firing."¹⁰

Aquino dismissed many generals eligible for retirement, including nearly all senior commanders. She said she would cut the military intelligence budget and demobilize the Civilian Home Defense Force. But these moves made some military officers apprehensive, including Enrile, who publicly criticized Aquino's military reform proposals and her policy of reconciliation with the rebels. After rumors of a military coup, a farcical power grab attempt by Marcos's Vice President, Arturo Tolentino, involving several Marcos loyalists in the military, as well as some mysterious bombings around Manila, Aquino finally replaced Enrile with Rafael Iletto, a loyal and competent military leader with extensive counterinsurgency experience in the Huk rebellion.

Rafael Iletto appears well suited to bridge the gap between Aquino's Cabinet and the military. He is a former officer highly respected within the military, and he believes in the primacy of civilian government, unlike Enrile, his politically ambitious predecessor. During the Huk rebellion, Iletto formed and led the "scout rangers," who specialized in highly successful small-unit attacks deep in guerrilla territory. He is expected to place far greater stress on discipline throughout the armed forces.

The military is likely to remain a powerful national

institution in the post-Marcos period, given the persistent threats to internal security. Nonetheless, it will take many years to solve all the military's organizational, training and material problems.

PHILIPPINE-AMERICAN RELATIONS

During a nine-day state visit to the United States in September, 1986, Aquino established a good rapport with President Ronald Reagan and dispelled lingering pro-Marcos sentiments in the White House. She persuaded many United States and international officials of the soundness of her program and her competence as a national leader. From the United States government, she obtained \$150 million in economic and military aid, \$20 million in emergency food and medical supplies, and \$200 million in special congressional supplementary aid; from the IMF, a \$508-million standby loan; from the World Bank, a \$300-million credit; from commercial bankers, an extension of the debt repayment period and a promise of more favorable terms.¹¹

While current Philippine-American relations are harmonious, this picture could change in upcoming negotiations over the future of American bases and the nuclear-free status of the Philippines. Clark Air Force Base and Subic Bay Naval Base are the most visible manifestations of the United States presence in the Philippines. The bases agreement comes up for review in 1988 and for possible renegotiation in 1991. In anticipation of the continued polarization of Philippine politics and the renegotiation of the bases agreement, United States officials have begun to make detailed contingency plans to relocate Navy and Air Force units from the Philippines to Guam, Okinawa and other Pacific locations. The United States has also leased 18,000 acres on the Marianas Islands of Tinian and Saipan for the possible relocation of Philippine facilities, and the United States Defense Department has begun to consider renting shipyards in Singapore and South Korea to replace Philippine facilities.¹²

The NDF views the United States bases as symbols of the "Marcos-United States dictatorship" and an affront to Philippine sovereignty. In the December, 1986, cease-fire negotiations, removal of the bases was a major rebel demand. The bases are located in an area of frequent NPA activity, and perimeter security is poor. As yet, however, there has been no NPA effort to target either the bases or United States personnel.

When she was campaigning, Aquino promised to reassess the Philippine-American bases agreement and to pursue closer ties with the Association of Southeast Asian Nations. During her September, 1986, state visit to the United States, she said she would keep all her options open for the United States bases until the renegotiation. The new constitution and the new national legislature may lead to a major national debate

¹⁰*Asia 1986 Yearbook* (Hong Kong: Far Eastern Economic Review, 1986), p. 222.

¹¹Nayan Chanda, "Cheers, Aid, and Doubts," *FEER*, October 2, 1986.

¹²Bill Keller, "U.S. Plan to Quit Manila Bases Reported," *The New York Times*, January 25, 1986.

on the bases issue. This possibility has been played down by both Philippine and American government officials, who emphasize that any discussion of the future of United States bases in the Philippines should be postponed until the Aquino government has responded to the pressing crises of reinvigorating the economic recovery and defusing the radical insurgency.

CONCLUSION

In its first year, the Aquino government replaced a failing and corrupt dictatorship with a minimum of bloodshed. It began to reform the constitution, the government structure, the military and the economy. It achieved substantial foreign support and a chance to design and implement a comprehensive national reform and reconciliation program. Negotiations with the armed insurgents began. But it will take many years of sustained economic and social reform to overcome the poverty and redress the grievances of the Marcos era. ■

CAMBODIA

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have refused to drop their support of the Khmer Rouge, much less bring them to trial. The international community has not even forced Pol Pot into a comfortable exile, but has allowed him and his party to continue to fight and to reap the advantage of Cambodians grown disenchanted and fearful of continued Vietnamese occupation. The result is a profound moral vacuum that is part of the underpinning of the stalemate.

The recent leadership changes, or crises, pose questions about Pol Pot's control of his faction and who may eventually lead all three factions. Over the past winter, diplomatic sources in Bangkok and Beijing were reporting that Pol Pot was hospitalized in the Chinese capital, possibly suffering a serious form of cancer. The reports have been modified, and the Cambodian despot may have been ill with recurring malaria. But he has been out of action. Should he disappear entirely, it would have a dramatic effect on the war (or so some observers, like Jean-Claude Pomonti of *Le Monde*, believe).

Prince Sihanouk recently recovered from serious health problems, and he has named his son, Prince Norodom Rannaridh, commander in chief of the ANS. In Bangkok, Rannaridh is the day-to-day leader of Sihanouk's faction and has traveled abroad to speak for his father with some success. He is clearly being groomed to take control of the ANS. The KPNLF's leadership problems have already been mentioned. Once the most dynamic of the resistance factions, Son Sann's group is crippled by dissent. Son Sann is also grooming his son, Son Sorbet, to succeed him, but that is highly problematic.

Yet none of these changes have shaken the resolve of the resistance. In March, 1986, the leaders of the three resistance factions met in Beijing and were given audiences with China's top leaders. (In 1982, the three formed a coalition government of Democratic Kampuchea and it is as this "government" that they have retained membership at the United Nations and have won recognition from foreign nations.) As the coalition government, the resistance issued a new peace proposal calling for Vietnamese troop withdrawal in two stages and an intermediary quadripartite coalition government with the PRK.

Although the proposal was rejected by the PRK and Vietnam, the Soviet initiative in Asia could resurrect these ideas. In January, 1987, the Soviet Union's ambassador in Bangkok reiterated his country's openness to a solution that would include all parties in the negotiations.

REFUGEES

Lost in these eight years of war are the Cambodians who fled their homeland and were denied settlement elsewhere. Unfortunately, international interest in these refugees has fallen dramatically. Cambodia has drifted into that category of nations that seem permanently on the casualty list—the Lebanon of Southeast Asia. Recently, Thailand announced it was closing down the last UN-protected camp for Cambodian refugees—Khao I Dang camp—and there were no official protests.

The Thai are closing the camps precisely because there is little interest in the refugees. The Western world has stopped accepting the Cambodians for asylum. Some 22,000 Cambodians will be moved from Khao I Dang this year, according to the Thai plan, and will be sent to live near the border area where 250,000 "illegal" Cambodians are settled with the resistance factions. The 22,000 Cambodians from Khao I Dang will remain under the official protection of the United Nations High Commissioner for Refugees, but their chances for relocation abroad will become negligible.

AN END TO STALEMATE?

Soviet Communist party General Secretary Mikhail Gorbachev has said he wants Soviet relations with China and ASEAN to improve, a goal blocked as long as his country supports the Vietnamese occupation of Cambodia. (The United States State Department estimates that the Soviet Union gives Vietnam some \$2 billion in aid every year, without which the Vietnamese could not remain in Cambodia.)

The Soviet Union is the one power that could bring Vietnam to the negotiating table; China would have to convince the Khmer Rouge to sit down as well. But for the first time both sides seem to have an impetus for breaking the stalemate. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of February, 1987, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Control

(See also *U.S.S.R.; U.S., Foreign Policy*)

Feb. 17—At the 40-nation Geneva Conference on Disarmament, the Soviet Union says it will allow on-site international inspection of its chemical weapons stockpiles.

European Economic Community (EEC)

Feb. 18—In his budget message, EEC president Jacques Delors says that his new budget will erase the EEC's budget deficit even while it raises program spending ceilings.

Group of Seven

Feb. 22—Meeting in Paris, the U.S., Japan, West Germany, Great Britain, France and Canada agree to "cooperate closely" to stabilize the declining U.S. dollar; Italy does not join in the final talks.

Gulf Cooperation Council

Feb. 9—The council ministers end their 2-day meeting with a reaffirmation of support for the Organization of Petroleum Exporting Countries' \$18-a-barrel price level.

International Monetary Fund (IMF)

(See *Egypt*)

Iran-Iraq War

(See also *Iran; U.S., Political Scandal*)

Feb. 2—Iran reports that the Iraqi bombing of the town of Mianeh today killed 68 people and wounded 150.

Feb. 19—Iran accepts Iraq's proposal that Iran and Iraq stop bombing civilian targets in each other's country.

North Atlantic Treaty Organization (NATO)

(See *U.S., Foreign Policy*)

Organization of Petroleum Exporting Countries (OPEC)

(See *Gulf Cooperation Council*)

South Pacific Forum

(See *U.S., Foreign Policy*)

Southern African Development Coordination Conference (SADCC)

(See *U.S., Foreign Policy*)

United Nations (UN)

Feb. 25—In Geneva, UN-sponsored peace talks between Afghanistan and Pakistan resume.

AFGHANISTAN

(See also *Intl, UN; Pakistan; U.S.S.R.*)

Feb. 7—Guerrilla spokesmen in Islamabad, Pakistan, report that Soviet and Afghan troops have recaptured the Sinakai Pass in Paktia province; the guerrillas seized the pass, a major guerrilla supply route, last month.

ARGENTINA

(See also *UK, Great Britain*)

Feb. 25—The government announces a 4-month freeze on prices and salaries; the austral, the national currency, is also to be devalued by 7.7 percent.

In New York, Finance Minister Mario Brodersohn opens

talks with bankers on a request for \$2.15 billion in new loans and for lower interest rates on Argentina's outstanding foreign debt.

BRAZIL

Feb. 1—The National Congress convenes and begins drafting a new constitution for Brazil.

Feb. 5—The government removes price controls on most goods in order to ensure economic growth; businesses have opposed the controls and there have been widespread shortages of price-controlled goods.

Feb. 10—The government announces that Fernão Bracher, the head of the central bank, has resigned; the new central bank head is Francisco Gros.

Feb. 21—The government suspends interest payments on its foreign debt.

Feb. 24—The government announces that it is freezing \$15 billion in short-term credits from commercial banks; the action comes after several foreign banks canceled credit lines to Brazil following its decision to suspend interest payments on its foreign debt.

CHAD

(See *France*)

CHINA

(See also *U.S.S.R.*)

Feb. 3—The Communist party expels propaganda chief Zhu Houze; Zhu, an advocate of "liberal" change, is a protégé of former party Secretary General Hu Yaobang, who was removed from office last month. Wang Renzhi is named to replace Zhu.

Feb. 6—Continuing its crackdown on dissent, the Chinese government sentences Liu De, the editor of a literary magazine, to 7 years in prison; Liu is charged with defaming Chinese socialism.

Feb. 14—China's nominal minister for Hong Kong, Lu Ping, says that China might allow direct elections to government positions in Hong Kong once the British colony is returned to China in 1990; he cautions that direct elections should not take place until 1991.

Feb. 17—The *Liberation Army Daily*, the newspaper of the People's Liberation Army, reports that the party's fight against "bourgeois liberalization" is being extended to the military and not just the party.

COLOMBIA

Feb. 4—Carlos Enrique Lehder Rivas is extradited to the U.S. to face charges of smuggling cocaine into the U.S.; Rivas is thought to be one of the largest drug dealers in the world.

CZECHOSLOVAKIA

Feb. 10—In a speech before the Central Committee, party propagandist Vasil Bilak criticizes those who would use Soviet General Secretary Mikhail Gorbachev's reform initiative to push for reform in Czechoslovakia; Czechoslovakia must "respect its own experiences."

ECUADOR

Feb. 25—The government says it wants to extend its moratorium on interest payments on its foreign debt until June, 1987; it stopped interest payments last month.

EGYPT

(See also *Israel*.)

Feb. 21—Egypt and the Sudan sign a "brotherhood charter" that calls for coordinated economic development and preferential trade agreements between the 2 countries.

Feb. 25—The government reaches a tentative agreement with the International Monetary Fund (IMF); in return for a package of economic changes, including increased energy prices, Egypt will receive \$300 million in balance-of-payments support from the IMF; it will also be allowed to reschedule its \$38.6-billion foreign debt.

EL SALVADOR

Feb. 7—An estimated 70,000 supporters of President José Napoleón Duarte march through San Salvador to demonstrate their support of his policies; the march was staged by Duarte's Christian Democratic party.

FRANCE

Feb. 5—The government offers to sell its controlling interest in TF1, the state television network, for \$500 million; the sale is part of the government's privatization drive.

Feb. 9—The Defense Ministry says that it has rushed some 1,000 extra men to Chad to reinforce the cease-fire line in northern Chad. There are now 2,400 French soldiers in Chad.

GERMANY, EAST

Feb. 2—Soviet Foreign Minister Eduard Shevardnadze arrives in East Germany for talks on bilateral relations and the Soviet Union's reform program.

GERMANY, WEST

(See also *Iran*.)

Feb. 16—Former Economics Minister Otto Lambsdorff is found guilty of tax evasion; Lambsdorff allegedly helped contributors to his Free Democratic party to avoid taxes by laundering their contributions.

Feb. 26—Bavarian Premier Franz Josef Strauss orders prostitutes, prison inmates, and foreigners from outside the European Community to undergo compulsory testing for acquired immune deficiency syndrome (AIDS); those foreigners whose tests are positive will be denied residence permits.

GREECE

Feb. 16—More than 2 million workers strike to protest the government's recently introduced economic austerity program.

INDIA

Feb. 4—In New Delhi, 5 days of talks on border tensions between India and Pakistan end; a timetable is drawn up for the partial withdrawal of both Indian and Pakistani troops from the border.

Feb. 24—The government says it has ended its efforts to mediate an end to the conflict between the Sri Lankan government and Tamil guerrillas.

Feb. 25—G. S. Patel, the judge presiding over the Indian government's lawsuit against the Union Carbide Corporation for its Bhopal pesticide plant gas leak, is removed from the case after it is revealed that he has secretly filed a personal damage claim in the suit.

Feb. 28—Prime Minister Rajiv Gandhi announces a 43 percent increase in military spending as part of his new budget; other expenditures in the budget are frozen.

IRAN

(See also *Intl, Iran-Iraq War*; *U.S.S.R.*; *U.S., Foreign Policy, Political Scandal*)

Feb. 1—The Swiss Foreign Ministry reports that Gerald Seib, a reporter for the U.S.-based *Wall Street Journal*, is being detained by the Iranian government.

Feb. 4—The government orders Seib's expulsion for spying.

Feb. 10—In his 1st speech in 3 months, the Ayatollah Ruhollah Khomeini calls the war with Iraq a "divine cause" that must be pursued until "victory."

Feb. 17—Two West German diplomats are expelled to protest a recent West German comedy show (broadcast in Germany) that satirized Khomeini.

IRAQ

(See *Intl, Iran-Iraq War*; *Iran*.)

IRELAND

Feb. 19—Results from the February 17 election give Charles Haughey's Fianna Fail party 81 of the 166 seats in Parliament; the defeated Fine Gael party of Prime Minister Garret FitzGerald received 51 seats. Haughey will become the new Prime Minister, but he will preside over a coalition government because Fianna Fail failed to capture a majority of the seats.

ISRAEL

(See also *Egypt*; *U.S., Foreign Policy, Political Scandal*)

Feb. 1—The government denies that it helped divert money from the sale of U.S. arms to Iran to the U.S.-backed contras in Nicaragua; the charge was made in a U.S. Senate Intelligence Committee report released last week.

Feb. 3—A parliamentary committee begins closed hearings on Israel's involvement in the sale of U.S. arms to Iran and the possibility that Israel was involved in the diversion of money from the arms sales to the Nicaraguan contras.

Feb. 9—Nine Arab protesters are wounded by Israeli soldiers during demonstrations today on the Israeli-occupied West Bank.

Feb. 12—Prime Minister Yitzhak Shamir denies reports that Israel is negotiating with Lebanese terrorists holding 3 Americans and an Indian; the terrorists want to exchange the 4 for 400 Palestinians held by Israel.

Feb. 16—The government begins its trial of John Demjanjuk, a U.S. citizen extradited to Israel and charged with helping torture and kill some of the 850,000 Jews killed at the Treblinka concentration camp during World War II.

Feb. 19—At the end of his 4-day visit to the U.S., Prime Minister Shamir proposes a Mideast peace conference at Camp David; the conference would include Israel, the U.S., Egypt, Jordan and the Palestinians; the Soviet Union would not be invited.

Feb. 27—After 3 days of meetings with Egyptian President Hosni Mubarak, Israeli Foreign Minister Shimon Peres announces that an agreement has been reached between Israel and Egypt to hold a Middle East peace conference this year.

ITALY

Feb. 17—In a televised interview, Prime Minister Bettino Craxi says that there is no power-sharing agreement to allow the Christian Democrats to take over the prime ministership before the next election; hours later the Christian Democrats produce the agreement, which was signed

by the Socialists and the Christian Democrats in July, 1986.

Feb. 25—The government issues an arrest warrant for Archbishop Paul Marcinkus, the American head of the Vatican City bank; the Archbishop is wanted as an "accessory to fraudulent bankruptcy," a reference to the 1982 collapse of Banco Ambrosiano.

JORDAN

Feb. 4—King Hussein holds talks with Lebanese President Amin Gemayel; Gemayel reportedly asks Hussein to aid him in opening a dialogue with Syria.

KENYA

Feb. 6—In a speech, President Daniel arap Moi tells Kenyans to ignore "foreign propaganda" that acquired immune deficiency syndrome (AIDS) is widespread in Kenya.

KOREA, SOUTH

Feb. 8—Thousands of people demonstrate in Seoul to protest the torture death of a student protester last month; 323 demonstrators are arrested in Seoul.

LEBANON

(See also *Israel; Jordan; U.S., Foreign Policy*)

Feb. 1—In London, the Anglican Church's Archbishop of Canterbury says that special envoy Terry Waite left instructions that he not be rescued or exchanged for money if he were taken hostage in Lebanon; Waite, who has been negotiating with terrorists for the release of foreign hostages, was last seen on January 20.

Feb. 2—Shiite Amal leader Nabih Berri and Druse leader Walid Jumblat say that they have information that Waite has been "arrested" by a Shiite faction that is also holding other foreigners, including 3 Americans, hostage.

Feb. 9—Islamic Holy War for the Liberation of Palestine, the terrorist group holding 3 Americans and an Indian hostage, drops its threat that unless Israel releases 400 Palestinian prisoners by midnight, it will execute the hostages.

A car bomb explodes in a Shiite Muslim neighborhood of Beirut; 15 people are killed and 80 are injured.

Feb. 16—President Amin Gemayel meets in London with British Prime Minister Margaret Thatcher to discuss the missing Waite.

A 4-month siege of 2 Palestinian refugee camps in Beirut is lifted by Shiite Amal militia; many of the camps' inhabitants faced starvation. Amal says it was holding the refugees because of concentrations of Palestinian guerrillas in the camps.

Feb. 18—Fierce fighting between Druse and Shiite Amal militiamen continues in West Beirut; at least 65 people have been killed and 280 wounded in the fighting since February 15.

Feb. 23—About 7,000 Syrian troops have taken up positions in Beirut in the last 24 hours; the troops are attempting to end the fighting between militias.

Feb. 25—A car bomb explodes in south Beirut, killing 2 people.

In West Beirut, funerals are held for 23 Party of God militiamen killed by Syrian troops yesterday; the Party says the men were massacred after surrendering to the Syrians.

Feb. 26—Brigadier General Ghazi Kanaan, the Syrian commander in charge of security operations in Beirut, says Syrian troops have closed down all 70 Muslim militia offices in West Beirut; he says foreign citizens and diplomats can safely return to Beirut.

MEXICO

Feb. 9—About 100,000 students demonstrate at the National Autonomous University, demanding the repeal of new admission requirements. The students began a class boycott last month to protest the changes.

Feb. 15—Student leaders at the National Autonomous University vote to end the 18-day boycott of classes.

Feb. 21—The National Action party, the nation's largest opposition party, elects Luis Alvarez president; he replaces Pablo Emilio Madero.

NICARAGUA

Feb. 10—The government says it will allow a closed Roman Catholic radio station to reopen; it also says it will allow 2 expelled priests to return as long as they "obey the law."

Feb. 16—Contra leader Adolfo Calero resigns from the United Nicaraguan Opposition (UNO), the political wing of the contras; Calero, a political conservative, will remain in charge of the largest military wing of the contras.

Feb. 19—Arturo Cruz, a former Sandinista and a politically moderate contra leader, says he will not resign from UNO; Cruz threatened to resign earlier this month because he was dissatisfied with the actions of conservative elements in the contras' military forces.

Feb. 24—The National Assembly approves, 60 to 15, a government initiative to extend the 5-year-old state of emergency 1 more year; the restrictions on civil liberties include censorship and a prohibition on outdoor public meetings and strikes.

PAKISTAN

(See also *Intl, UN; India*)

Feb. 19—In Peshawar, Pakistan, a bomb explodes outside an Afghan guerrilla group's office; 10 people are killed. Later in the day a group of Pakistanis attack Afghan refugees; 4 people are reported killed in the attack.

Feb. 26—Afghan warplanes bomb 2 Pakistani villages; at least 35 people are killed and 200 are wounded.

PARAGUAY

Feb. 10—U.S. ambassador to Paraguay Clyde Taylor calls for a U.S. Marine escort after police use tear gas to break up a protest meeting to which he and other foreign diplomats were invited.

PERU

Feb. 25—Leftist guerrillas throw dynamite at 18 branches of banks in Lima.

PHILIPPINES

Feb. 3—Early returns from yesterday's constitutional plebiscite show that 80 percent of the voters approve of the new constitution; the constitution will allow President Corazon Aquino to govern until June, 1992.

Feb. 7—The leaders of the Communist resistance announce that they will not return to negotiations tomorrow, the end of a 60-day cease-fire agreement.

Feb. 10—At least 18 people, including 12 civilians, are killed in fighting between Communist guerrillas and government troops 90 miles north of Manila.

Feb. 11—The new constitution is ratified and Aquino is sworn in as President, to serve until 1992.

Feb. 18—The government reports that it has traced at least \$5 billion that former President Ferdinand Marcos deposited into bank accounts in Switzerland.

Feb. 25—Throughout the Philippines an estimated 500,000 Filipinos celebrate the 1st anniversary of the overthrow of President Ferdinand Marcos.

POLAND(See *U.S., Foreign Policy*)**SAUDI ARABIA**

Feb. 4—Finance Minister Abdullah Ali Abalkheil says that Saudi Arabia wants to keep oil prices at the current price of \$18 a barrel.

SINGAPORE

Feb. 9—The government orders the *Asian Wall Street Journal's* daily circulation cut back from 5,000 to 400 because the *Journal* refused to print a letter to the editor from a government official.

SOUTH AFRICA

Feb. 3—Foreign Minister Roelof Botha says that U.S. anti-apartheid sanctions have contributed to black unrest in South Africa, thus making the U.S. partly responsible for recent black violence.

Feb. 10—The South African Institute for Race Relations, a nongovernmental group, reports that at least 2,326 people were killed in South Africa between September, 1984, and December, 1986.

Feb. 19—In Ciskei, one of the government-designated black homelands, troops loyal to President Lennox Sebe repulse an attack on the presidential palace; the government says the attackers are from the rival homeland of Transkei.

SPAIN

Feb. 4—The U.S. ambassador to Spain, Reginald Bartholomew, says that the Spanish government has rejected a U.S. offer to cut the number of U.S. troops in Spain; the Spaniards say that the troop cut is too small.

Feb. 8—The Popular Alliance, Spain's main conservative opposition party, chooses Antonio Hernández Mancha as its new president.

Feb. 9—High school students throughout Spain boycott classes and hold street demonstrations as part of their campaign for entrance into universities without testing.

Feb. 17—Student leaders sign an agreement with the government ending student protests; the agreement includes a government proposal to spend \$312 million to overhaul college entrance examinations and operating budgets.

SRI LANKA(See also *India*)

Feb. 7—At least 24 people are killed in government attacks on Tamil guerrilla bases in northern Sri Lanka.

Feb. 19—President Junius Jayewardene announces that the government will end its current offensive against Tamil guerrillas and lift an economic blockade of guerrilla-held areas if the guerrillas will begin a cease-fire and start peace negotiations; he also guarantees a general amnesty for the guerrillas.

SUDAN(See *Egypt*)**SYRIA**(See *Jordan; Lebanon*)**U.S.S.R.**

(See also *Intl, Arms Control, UN; Afghanistan; Czechoslovakia; Germany, East; U.S., Foreign Policy*)

Feb. 4—The government says that it will "soon" resume nuclear testing and end its 19-month moratorium; the announcement follows a nuclear test in the U.S. yesterday.

Feb. 7—A Chinese delegation arrives in Moscow for talks on Sino-Soviet border tensions.

Feb. 8—*Pravda* publishes a draft economic law that calls for

profit, competition and a place for consumer demand in the Soviet economy; the new law would also remove some bureaucratic controls.

Feb. 13—Iranian Foreign Minister Ali Akbar Velayati arrives in Moscow for talks with President Andrei Gromyko; they reportedly debate the Soviet military presence in Afghanistan, which Iran opposes.

Feb. 16—At an international peace forum in Moscow, General Secretary Mikhail Gorbachev says that at the Geneva arms control talks, the U.S. is now asking for a broad interpretation of the Anti-ballistic Missile (ABM) Treaty.

Gorbachev tells the forum that the Soviet Union has adopted a new human rights approach; he says the new approach is not being implemented to please the West.

Feb. 18—The premier of Kazakhstan says that 2 people were killed and 200 were injured in ethnic rioting in December; he says 3,000 people took part in the riots, which occurred in the capital city of Alma Ata.

Feb. 19—According to the *Moscow News*, Gorbachev has said he will resign if his political and economic programs are resisted.

Feb. 23—Iosif Begun, a Jewish rights activist released from Chistopol prison on February 20, returns to Moscow; since the beginning of February more than 150 political prisoners have been released, apparently under a decree issued by the Presidium of the Supreme Soviet.

The official press agency Tass reports that on February 19, the Soviet Writers' Union reinstated Boris Pasternak; Pasternak was expelled from the union in 1958 after the publication in the West of his novel *Dr. Zhivago*.

Feb. 24—In Washington, D.C., Soviet officials confirm that the Soviet Union is buying 39.3 million bushels of corn from the U.S.

Feb. 25—In a speech before a labor convention, Gorbachev assures critics of his reform program that "democratization" is not synonymous with anarchy or disorder.

Deputy Minister of Health Georgy Khlyabich says that all donated blood will be tested for the acquired immune deficiency syndrome (AIDS) virus by the beginning of 1988.

Feb. 26—The government says it detonated a nuclear test today.

Feb. 28—In a major reversal of arms policy, Gorbachev says the Soviet Union is ready to sign an agreement eliminating Soviet and American intermediate-range nuclear missiles from Europe in 5 years; previously the Soviet Union linked the removal of the missiles to a comprehensive accord on strategic and space weapons.

UNITED KINGDOM**Great Britain**(See also *China; Lebanon*)

Feb. 1—Unarmed British ships begin patrolling a 150-mile "fishing conservation" zone around the Falkland Islands; Argentina has called the zone "politically and juridically unacceptable."

Feb. 2—British Broadcasting Corporation (BBC) chairman Marmaduke Hussey protests to Prime Minister Margaret Thatcher's government about several police raids on BBC offices in Scotland; the police removed over 2 vanloads of material for a BBC documentary on a British secret spy satellite; the government says the raid was carried out without high-level approval.

UNITED STATES**Administration**

Feb. 2—William J. Casey resigns as director of the Central Intelligence Agency (CIA) because of ill health after brain surgery.

President Ronald Reagan nominates deputy CIA director Robert M. Gates to succeed Casey.

Interior Secretary Donald Hodel proposes to lease some 6.5 million acres of the offshore California coastal area for oil exploration, starting in 1989.

Feb. 3—White House director of communications Patrick Buchanan announces his resignation as of March 1.

Feb. 5—President Reagan names Federal Communications Commission member Dennis Patrick as chairman, to succeed the resigning Mark Fowler.

Feb. 6—The Internal Revenue Service (IRS) concedes that its new W-4 withholding form is too complicated; the IRS promises to revise it.

Feb. 11—The Federal Aviation Administration (FAA) institutes major changes in air traffic control patterns in an attempt to avoid the many delays in East Coast air travel.

Feb. 12—Federal agents arrest 3 top-level Wall Street brokerage firm employees, from 3 different firms, on insider trading charges; arrested are Robert Freeman, Richard Wigton and Timothy Tabor.

President Reagan sends Congress a proposal for expanded Medicare coverage to help pay the costs of catastrophic illness for the elderly; under the plan, the insured would pay an additional premium of \$4.92 per month.

Feb. 13—White House spokesman Marlin Fitzwater reports that the administration has made an "arbitrary" decision to shield President Reagan from reporters' questions until he is fully recovered from his January 5 prostate operation.

Feb. 19—President Reagan names Frank Donatelli as White House political director and John Koehler as communications director.

Secretary of Health and Human Services Otis Bowen and Attorney General Edwin Meese 3d announce the details of the federal program to test randomly some 2 million federal workers in "sensitive positions" for drugs.

Feb. 23—The Energy Department announces the restarting of the Hanford plutonium extraction plant, which has been shut down because of safety considerations since October 8, 1986.

Feb. 27—President Reagan names former Senator Howard H. Baker Jr. (R., Tenn.) to replace chief of staff Donald T. Regan; this move is a response to the Tower commission's criticism of Regan's management methods, particularly during the Iran arms deal.

Civil Rights

Feb. 12—A U.S. district court in Mobile, Alabama, awards \$7 million in damages to the family of a black 19-year-old, Michael Donald, who was slain by Klan members in 1981; the United Klans of America and some of its members are to pay the damages.

Economy

Feb. 3—The Commerce Department reports that its index of leading economic indicators rose 2.1 percent in December.

Feb. 6—The Labor Department reports that the nation's unemployment rate remained unchanged at 6.6 percent in January.

Feb. 8—The Labor Department reports that medical costs rose 7.7 percent in 1986 although the consumer price index (the government's measure of inflation) rose only 1.1 percent in that period.

Feb. 13—The Labor Department reports that its producer price index rose 0.6 percent in January.

Feb. 17—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue chip stocks shows a record 1-day rise of 54.14 points and closes at a new high of 2,237.49.

Feb. 19—The Dow Jones Industrial Average closes at a new record high of 2,244.09.

The Commerce Department reports that the nation's gross national product (GNP) rose at an annual rate of

1.3 percent in the 4th quarter of 1986 and at a 2.5 percent rate for all of 1986.

Feb. 27—The Commerce Department reports that the nation's foreign trade deficit rose to \$14.8 billion in January.

The Labor Department reports that its consumer price index rose 0.7 percent in January.

Foreign Policy

(See also *Intl. Group of Seven; Colombia; Iran; Israel; Lebanon; Paraguay; South Africa; Spain; U.S.S.R.*)

Feb. 4—The administration says that "at this time" the U.S. will not agree to a request from the 13-nation South Pacific Forum to help make that area a nuclear-free zone.

Feb. 5—The State Department reports that France, Britain and West Germany are unwilling to convene a conference to discuss a coordinated response to the hostage taking in Lebanon; at least 8 Americans and 18 other nationals are being held hostage by various Lebanese factions.

Administrator of the Agency for International Development M. Peter McPherson pledges \$95 million in U.S. aid to southern African nations belonging to the Southern African Development Coordination Conference to help them reduce their economic dependence on South Africa.

Feb. 6—*Wall Street Journal* reporter Gerald Seib is released from custody in Iran and arrives safely in Zurich after being held for a week on espionage charges; Seib was among a group of reporters invited to Iran to assess the Iran-Iraq war.

Feb. 8—In a broadcast interview, Secretary of State George Shultz says that no decision will be made in the next 2 years to deploy elements of the Strategic Defense Initiative (SDI) in the 1990's; he also says that the U.S. will consult Congress and U.S. allies before making any decision to broaden the U.S. interpretation of the 1972 Anti-ballistic Missile Treaty.

Feb. 14—*The New York Times* reports that 2 weeks ago President Reagan sent the Senate Foreign Relations Committee a letter in which he said he would not submit for ratification Protocol 1, a revision of the 1949 Geneva Conventions on the treatment of combatants and war victims, because the protocol is "fundamentally and irreconcilably" flawed and would give terrorists legal status.

Feb. 17—Meeting in Washington, D.C., Shultz and Israeli Prime Minister Yitzhak Shamir publicly disagree about whether an international conference on the Middle East should include the Soviet Union as a participant.

Feb. 19—President Reagan lifts U.S. economic sanctions against Poland, imposed in 1981 and 1982.

The State Department issues its annual report on human rights around the world; the report singles out the Soviet Union and many other Communist and Soviet-backed nations as well as Iran and South Africa as violators of human rights.

Feb. 24—The Defense Department announces that NATO commander General Bernard Rogers will retire in June and will be replaced by General John Galvin, the commander of U.S. forces in Latin America.

Feb. 25—Special presidential adviser Paul Nitze and Assistant Secretary of Defense Richard Perle begin a European trip to explain the Reagan administration's broad interpretation of the Anti-ballistic Missile Treaty; the new interpretation would permit the U.S. to test space weapons extensively.

Labor and Industry

Feb. 10—Eastern Airlines agrees to pay a \$9.5-million fine levied by the Federal Aviation Administration (FAA), which found 78,000 maintenance and safety violations in Eastern's operations.

Feb. 12—The Kaiser Steel Corporation files for bankruptcy under Chapter 11.

Feb. 13—Former Kidder Peabody brokerage house officer Martin Siegel pleads guilty to tax and security law violations for passing insider trading tips; he is fined more than \$9 million in cash and assets in civil penalties and will be sentenced on April 2.

Feb. 17—The Ford Motor Company reports earnings of \$3.3 billion in 1986; this is the first year since 1924 in which Ford earned more than the General Motors Corporation, which earned \$2.95 billion in 1986.

Feb. 20—In U.S. district court, Dennis B. Levine is sentenced to 4 concurrent 2-year jail terms for his role in an insider trading scandal.

Legislation

Feb. 3—The House votes 401 to 26 to override President Reagan's January 30 veto of the Water Quality Control Act.

Feb. 4—The Senate votes 86 to 14 to override President Reagan's veto of the Water Quality Control Act.

In a voice vote, the House approves a Senate bill providing \$50 million in emergency aid to the homeless. The measure also includes an amendment to block the recent salary increases for federal executives, judges and members of Congress, but because the House failed to block the pay increases before the expiration of the 30-day statutory limit, the increases are already in effect.

Feb. 13—President Reagan signs the emergency legislation providing \$50 million to aid the homeless; the money is to be transferred from the Federal Emergency Management Agency.

Political Scandal

(See also *Israel*)

Feb. 2—Presidential spokesman Marlin Fitzwater says "relevant excerpts" of President Reagan's personal notes on the Iran arms deal will be turned over, if requested, to the congressional panels investigating the deal.

A 3-judge panel of the U.S. district court of appeals for the District of Columbia appoints Washington, D.C., trial lawyer James McKay as independent counsel to investigate lobbying charges against Lyn Nofziger; Nofziger was formerly White House political director.

Feb. 9—Former national security adviser Robert McFarlane is hospitalized in Bethesda Naval Hospital after taking an overdose of valium in what police and hospital sources call an attempted suicide.

Feb. 10—Marlin Fitzwater says that President Reagan has informed the special review commission he has appointed to investigate the Iran arms sale that he will not order former national security adviser John Poindexter and former National Security Council staffer Oliver North to "testify against themselves."

Feb. 20—Speaking of the Iran arms deal, White House spokesman Fitzwater says that "as far as the President is concerned, there is no coverup."

Feb. 23—According to a White House official, President Reagan cannot say whether or not he approved the 1st U.S.-sanctioned arms shipment from Israel to Iran in the fall of 1985; he is reported not to remember.

Feb. 24—Oliver North files suit in U.S. district court to challenge the constitutionality of the law under which special prosecutor Lawrence Walsh was appointed to investigate the Iran arms deal.

Feb. 25—Special prosecutor Whitney North Seymour says he will ask a federal grand jury to indict former White House deputy chief of staff Michael Deaver on 4 counts of perjury. U.S. district court Judge Thomas Jackson temporarily bars the indictments when Deaver's lawyer challenges the constitutionality of the 1978 law permitting the appointment of special prosecutors.

Feb. 26—President Reagan's special review board on the operations of the National Security Council and its involvement in the Iran arms-contra deal makes public its 300-page report to the President. In a summary, review board chairman John Tower, a former Republican Senator from Texas, says the "report represents the collective understanding, evaluations and judgments" of himself and fellow board members former Secretary of State Edmund Muskie and former NSC adviser Brent Scowcroft. The report says that:

President Reagan probably did agree to the first Iran arms shipment in August, 1985.

Some presidential aides deliberately tried to conceal information about the Iran arms deal, but the President "did not intend to mislead the American people."

The National Security Council did not follow its own procedures and thus became involved in an "unprofessional and, in substantial part, unsatisfactory operation."

Despite presidential denials, the deal quickly became an arms-for-hostages operation.

The President was badly served by his advisers, Cabinet officers and agency heads.

John Poindexter and Oliver North "functioned largely outside the orbit of the U.S. government."

The President "must take responsibility for the NSC system and deal with the consequences."

President Reagan is expected to reply to the report next week.

Politics

Feb. 18—Democratic and Republican party chairmen announce that the 2 parties will form a bipartisan committee to sponsor presidential candidate debates in the 1988 election campaign; heretofore the League of Women Voters has sponsored the debates.

Feb. 23—Representative Richard Gephardt (D., Mo.) announces his candidacy for the Democratic presidential nomination in 1988.

Science and Space

Feb. 1—Space training for future shuttle astronauts resumes at Johnson Space Center in Houston; 5 candidates will fly the 1st new shuttle.

Feb. 26—The National Aeronautics and Space Administration (NASA) launches a Delta rocket with a \$55-million weather satellite (GEOS-7), intended primarily for hurricane plotting.

Supreme Court

Feb. 24—In a 6-3 ruling, the Supreme Court reverses a lower court decision, declaring that police who searched the wrong man's apartment in a multiunit apartment house and found heroin and other narcotics did not violate the Constitution because they made a "reasonable" mistake, and that they can therefore use the evidence thus obtained.

Feb. 25—The Court rules 5 to 4 to uphold a U.S. district court judge's rulings in 1983 and 1984 requiring Alabama to promote 1 black trooper for each white state trooper promoted provided the blacks are qualified; thus the Court upholds a judge's right to order strict racial quotas in hiring and promotion temporarily to counter past discrimination.

VATICAN

(See *Italy*)

VIETNAM

Feb. 17—A major government reshuffle takes place; 12 ministers are replaced, including the interior and defense ministers. Foreign Minister Nguyen Co Thach is named a Deputy Prime Minister. ■



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